

a council of canadian filmmakers' project

PAY-TV



Toronto Globe and Mail

'But I said, would you PAY to see her interview
Buckminster Fuller on TV?'

a special section of
**cinema
canada**

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Pay-TV special issue

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The Critical Questions

In December, 1975, following its June hearings, the CRTC put Pay TV on the shelf indefinitely. On June 2 this year, Minister of Communications Jeanne Sauve announced that Pay TV was inevitable and imminent. Between those dates pay-cable took off in the United States and Network One was licensed by the Ontario Theatres Branch to begin Pay TV operations in Toronto over closed-circuit television systems. Both these facts increased the pressure from the major cable operators for federal licensing of Pay TV.

For these and other reasons an historic decision is in the process of being made, a decision which will radically affect the course of broadcasting in this country – and thus the course of the country. Last June the major question was **whether** Pay TV should be started. Today that question has been changed to **how** Pay TV should be started.

Who should control Pay TV and how should they control it? Should it be a monopoly or not? Public enterprise, private enterprise, or a combination of both?

What will be the programming and who will provide it at what cost? Should the billing be pay-per-channel or pay-per-program? Which system encourages minority programming (Canadian programming)?

Should the delivery system be by satellite, direct broadcast satellite, microwave, UHF, cable, bicycle, or a combination of these? What are the economic models for each delivery system and how much money can be used for program acquisition or production? Should a Pay TV network commission original programming or not?

To what extent, if at all, will Pay TV fragment the commercial television and theatrical markets? Will there be siphoning of commercial TV programming to Pay TV? Should Pay TV be centrally controlled or decentralized? Vertically integrated or horizontally integrated?

How will Pay TV affect the future of the country – socially and economically and culturally? Will it simply increase the penetration of American programming in Canada or will it increase production money for quality Canadian programming?

Anyone attempting to design a Pay TV system

for Canada must answer these questions – or sail away on computer print-outs trying. Behind all of these questions lies the main issue: are we dismantling our culture and our country with this new technology, or developing them?

Pay TV is of major concern to the program production industry. The government has taken great pains to make it clear that Pay TV is expected to serve the national purpose. The answers to these questions must be put on that basis.

With these questions in mind, the Council of Canadian Filmmakers has undertaken a major study of Pay TV and its impact on the program production industry. Secondly, the CCFM has published this special information booklet both as a section of **Cinema Canada** and under separate cover. We are also sponsoring a one-day seminar on **"Pay TV and the Program Production Industry"** in Toronto on August 19 (see ad on the back cover of this booklet). Both are being done to provide the industry and others with a full range of information and opinion on Pay TV.

We hope this booklet and the seminar will generate informed discussion and help in the preparation of submissions to the CRTC on September 1.

While the CCFM has not taken an official position on Pay TV at this point in time, we believe that Pay TV must not simply become another conduit that increases the saturation of Canada with foreign program material. Canadian programming (whether feature films or anything else) must be the primary content of this "fourth phase" (after radio, TV and cable) delivery system. If Pay TV is to make any sense in this country it must help redress the catastrophic underfinancing of the Canadian program production industry (public and private). If a revolution is upon us it must be a revolution for the cultural development of the country and not against it.

At this point Canada has no Pay TV errors to overcome (as we have in film, commercial television, radio, and cable). We can design a Pay TV system from the ground up that is suited to us. We must apply vision to the design of our Pay TV system. We must not be afraid to be daring. □

Kirwan Cox

"Pay Television Must Develop Canadian Production"

The Honourable Jeanne Sauv ,
Minister of Communications

First let me say that I am very pleased to be with you today. The last time I was in Toronto, I was able to visit the CN Tower and experienced a surprise that, I suppose, was predictable. From the top of the tower, I was able to see all of Toronto, down the Queen Elizabeth Highway to Hamilton, across Lake Ontario to St. Catharines and Niagara Falls, but in place of Buffalo was a large sign reading "Deleted by Toronto Cable Operators".

One of the very rewarding aspects of this new job of mine has been the challenge of becoming familiar again with the complexities of Canada's broadcasting system and in particular to learn more about the various components of the cable television industry. With familiarity have come both a great respect for the industry's growth in past years, and a recognition that the industry is a vital and essential element of Canada's broadcasting system. Any proposed changes or innovations in the cable industry are, therefore, of special concern to me and relate to one of my principal duties: ensuring that Canada has a strong broadcasting system, predominantly Canadian in content and character.

In April I had the opportunity to meet with the Canadian Association of Broadcasters. At that time I re-emphasized the importance I attach to the crucial problems confronting broadcasters in Canada - extension of service and distinctive Canadian programming. I hope today to address these problems once again, but from a different perspective - that of new services and developments, particularly the one commonly known as "pay television".

My responsibilities for the structural development of the Canadian broadcasting system have led me to follow very closely the major new developments in your industry. I have been most impressed by some of the innovative services that cable operators have been developing. These include a children's program channel; programs by and for the elderly; and multicultural programs. The new service which I have found most exciting, because of its potential to improve programming and real program choice, is pay television. I am firmly convinced that the introduction of this new service will be a watershed in the development of broadcasting, with major structural implications for the entire system.

Inevitable

The establishment of pay television service on a large scale is inevitable. But inevitability need not mean disruption of the system. On the contrary, we must take care that pay television is introduced in an orderly and controlled fashion. We must ensure that it brings maximum benefit on a national plane to all the groups interested in broadcasting - private and public broadcasters, cable operators, program producers, actors, writers, and most of all, the Canadian public. I would assume that, as in the United States, you the cable operators will want to play a major role in delivering this service to the home. But more on your role later.

In considering the introduction of any new service, we must examine its potential advantages and disadvantages. For example, could not pay television make a contribution to solving the most crucial problem in Canadian broadcasting, that is the underdeveloped state of the Canadian program production industry?

As you are undoubtedly aware, pay television will probably generate substantial revenues; our estimates of the potential revenues involve the following simple arithmetic: there are about 2,700,000 cable television subscribers in Canada. If only 15% of these subscribers elect to take pay television at \$8.00 per month - the average charge in the United States - gross revenues would amount to some 39 million dollars per year. You will recall that the CRTC and a representative group of cablecasters have suggested that 15% of gross pay TV revenues could be devoted to Canadian program production. On that basis, close to \$6 million would accrue per year.

In actual fact, pay television penetration rates of 35% are probably attainable, resulting in funds for programming of about \$13½ million annually. When one considers that the CTV network last year spent only about \$13 million on Canadian programs including news, sports series, and variety shows, it becomes obvious that pay television revenues could have an enormously positive impact on Canadian program production.

There are other possible advantages. Pay television could help create wider viewing opportunities for Canadian programs, especially feature films. Canadian-pro-

duced programming could be exported to United States pay television systems which are unquestionably looking for more material, and programs produced initially for pay television could subsequently be released on conventional over-the-air television. This would benefit non-pay television subscribers by increasing Canadian programming choices in the broadcasting system, especially in those remote and rural areas of Canada that may have lost, or have never had, a movie theatre.

The negative impact

The benefits of pay television can be great but its introduction could also have a negative impact. Concern about these negative aspects has led in the past to the conclusion that the introduction of pay TV was premature. Even now, there would be little reason to permit the introduction of pay TV if it were left to develop in the same manner as the motion picture industry in Canada. Foreign interests have acquired a virtual monopoly over exhibition and distribution, thus gaining control over the financial resources needed for production. Canadian producers still find it difficult to obtain exhibition opportunities in Canadian moviehouses. Pay television must not be allowed to follow this course.

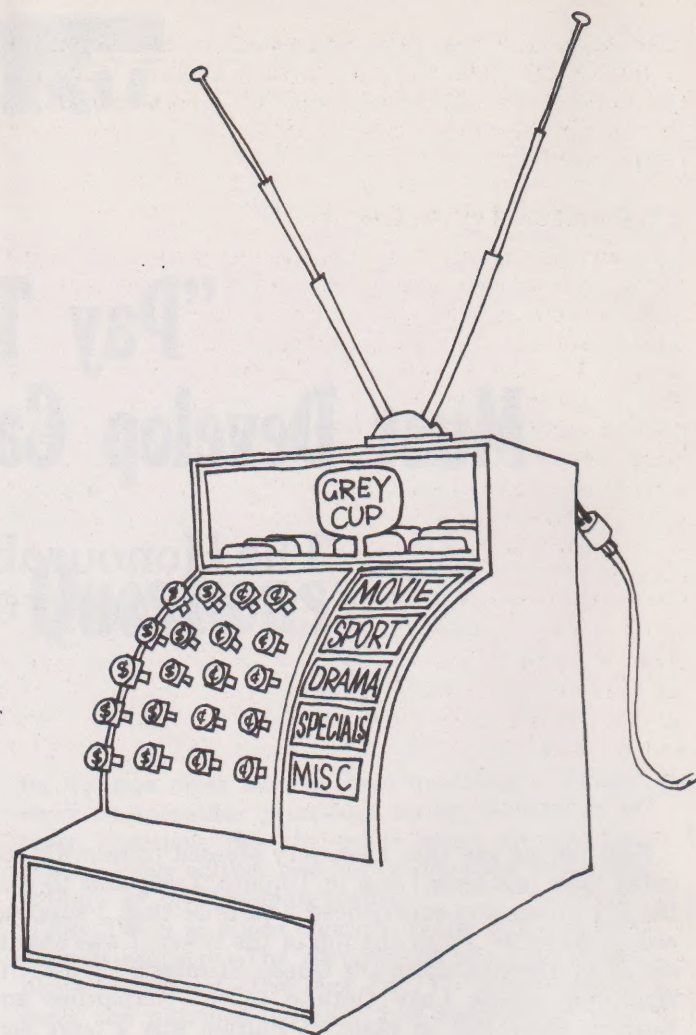
Pay television, if left uncontrolled, could damage conventional broadcasting in several ways. It could lead to siphoning – that is, the draining from conventional television of those programs which are most attractive for pay television service, such as feature motion pictures and sports. If such programming were offered on pay television, programs which the public normally sees without charge on off-air television might be siphoned away to a service which is only available to those able and willing to pay.

Another cause for concern is the threat of further fragmentation of the audience upon which the advertising revenues of Canadian broadcasting now depend. This threat may, in the long run, be serious. In the immediate future, however, pay TV will depend for its revenues largely on frequent presentations of a limited number of feature films. Useful data on the exact effect of fragmentation is difficult to obtain, since, at present, pay television penetration rates and the amount of viewing time per subscriber are not known.

The communications disparity between urban and rural areas is another problem that could be exacerbated by pay television when delivered by cable, since cable is primarily an urban service. The federal government must obviously try its best to work against this danger, perhaps by ensuring that in those areas where pay television is not available, pay TV programs are made available to off-air broadcasters after an appropriate time delay.

Another problem, which is one of my greatest fears about pay television, is that the pay TV operator, like the conventional broadcaster, will tend to cater to the lowest common denominator of the viewing audience. And like his American confrères, he will want to show U.S. feature films and sports events in order to increase his audience as much as possible. This situation would perhaps be more likely to arise in a system where the consumer is billed per channel; in a system of per-program billing, greater variety and even improved quality would be encouraged because programming could be geared to the tastes of minorities willing to pay.

It does appear that initially, the per-channel approach to pay TV will probably be necessary for the generation of sufficient revenues to make the system financially stable. However, a per-program system could perhaps spin off from the profits of the per-channel approach. In any case, the fundamental consideration is to encourage



development of a delivery system which provides new outlets for Canadian programs and wider viewer choice to the Canadian audience.

A major task

In order to accomplish this, a major task ahead will be to devise a structure that will maximize pay TV's potential benefits for our broadcasting system and for viewer choice. This structure will have to accomplish three objectives which are what I want to stress more than anything else I have to say today:

First: It must provide a range of programming which does not duplicate that now offered by broadcasters and must do so without siphoning programs from the broadcasting system. The continued federal regulation of the broadcasting system, including the regulation of pay television, is a crucial factor in the coherent and orderly provision of program services to the entire Canadian viewing public.

Second: It must ensure the production of high-quality Canadian programs that Canadians will watch.

Third: It must ensure that programs are produced in Canada for international sale.

Whatever pay television system is established, the structure must be designed to achieve these objectives – with which I am sure no one will disagree. In developing the system which would stand the highest probability of achieving the three goals I have outlined, it is probably best to separate delivery of signal to the home from the other two aspects of the process, namely program production and distribution or packaging. The first element of the system, delivery to the home, is relatively simple to handle. Because of the high level of penetration of CATV in Canada, coupled with off-air frequency short-

ages, we must concede the obvious advantages in delivery of pay TV by cable. However, even in Canada many people do not have cable, and the CRTC may decide that in certain circumstances other systems of delivery should merit consideration.

Two crucial questions

In any event, whatever the system of delivery to the home, two crucial questions remain – what are you going to deliver, and who will put it together? In looking at this problem we must again bear in mind the objectives for pay TV that I suggested a few moments ago, as well as the major participants in the broadcasting and production industry. It would seem to me that we have three basic options – first, individual licensees; second, a consortium which could involve various combinations of cable operators, broadcasters and representatives of the government; and third, a pay television network which could be either a public or private corporation.

The first option of individual licensees seems undesirable. The lack of a Canadian program distributor could force the licensees to deal with foreign distributors individually or in small groups. If so, the distribution function would once again fall into non-Canadian hands and it would be foreign organizations that would capture the major profits.

The second option is a consortium of cable and broadcasting operators. This structure would allow all affected parties to benefit financially and is worthy of careful examination. But it might also suffer the disadvantages of being subject to the vested interests of both participating parties. Another possibility would be to expand this consortium to add government participation to the configuration of cable companies and broadcasters.

The third option is the establishment of a pay television distributor or network, owned and operated independently from existing off-air broadcasters or cable interests. This could have the primary advantage of diminishing conflicts between the broadcasting and cable industries.

A pay television network of this kind could provide particular benefits for each component of the industry and could create a Canadian distributor of programs, an entity which does not now exist. Considering the weaknesses of the existing Canadian program production industry and the need for a strong presence to further the production, exhibition and promotion of Canadian programs, I think all of us must acknowledge that this is an important development of national significance. This kind of structure is therefore one which I find attractive and on which I would particularly welcome your views.

Private or public?

The government must also consider whether the network should be a private corporation with extensive monopoly powers, a public corporation or a mixed corporation, involving both private and public participation. The advantages and disadvantages of these options are fairly obvious, and on their own could be the subject of another speech.

No matter which option is chosen, the pay television network would act also as a distributor and would be responsible for the sale of Canadian programs to, and purchase of foreign programs from, non-Canadian program distributors. All licences for home delivery would be granted subject to the condition that programs be obtained from the network. Naturally, special arrangements would be developed for programs of strictly regional interest. And of course the distinctive nature of Canada as a country with two languages will influence any structure chosen.

Public hearing

I realize that this analysis is still incomplete and that I may have overlooked other options. As well, I may have underestimated certain costs and benefits of the various choices I have described. I depend upon your comments to further clarify the situation. As a result, and in order to encourage you and other interest groups to update the submissions you placed before the CRTC last June – and to comment on what I have said today – I have asked the CRTC to call for and receive submissions from the public until September first of this year on the structural development of pay TV.

Second, I am also writing to the provincial ministers responsible for communications to ask for their comments and views on how we can ensure that pay television contributes positively to the development of the Canadian broadcasting system. It is important for the federal government and the provinces to cooperate with a view to resolving the various problems which are bound to arise in connection with the establishment of pay television service, since its impact on Canadian viewer choice will be significant.

The introduction of pay TV represents a fundamental structural change to the Canadian broadcasting system. With this in mind, we will be analyzing your submissions and resolving outstanding questions relating to the structural development of pay television and its integration into the Canadian broadcasting system. I hope that this work can be completed as quickly as possible. Once we have completed this process, I would like to give you an early indication of government policy, after which the CRTC will establish regulatory guidelines and call for licence applications.

An important addition

In conclusion, pay TV is an important addition to the broadcasting system that will help to solve some of the problems that confront the Canadian broadcasting system and the production industry. It will not, by its simple existence, assure increased viewing choice for all Canadians. Nor is pay TV a dire threat to the Canadian broadcasting system. On introduction into Canada pay TV must, however, play its part to ensure the growth and development of the Canadian program production industry and the broadcasting system. That system is under great strain because of the demands placed upon it for extension of service, and underdeveloped in its capability for program production and as a creative outlet.

The introduction of pay TV into Canada must be used to develop a truly Canadian production industry. We cannot lose this opportunity by focussing on new hardware or structures in isolation. We must ensure that an integrated system is encouraged to develop. I therefore call upon you, the broadcasters and the producers, to participate actively with the government in order to ensure the best means of introducing pay television in Canada. □

Speech to the Canadian Cable Television Association, Toronto, June 2, 1976

Premium TV for Canada: A Partnership in Production

by Harry J. Boyle

Before addressing myself to specific points raised by the statement of the Honourable Jeanne Sauvé, Minister of Communications, on the matter of pay-television, may I take a few moments to recapitulate some significant facts about cable television and off-air broadcasting in Canada.

In 1968, when the Broadcasting Act was introduced officially, cable existed by way of Department of Transport permits. In 1968 there were approximately 710,000 subscribers. Today, only eight years later, there are 2,871,000. All major centres and a great many smaller ones are licensed for cable television undertakings except in parts of Saskatchewan and Manitoba, and applications in those areas have been heard and are being appraised by the Commission at this time. Expanded channel capacity through converters is a reality in many major centres.

This is a tribute to your energy and initiative.

At the same time, I would be remiss if I didn't say it also represents a great deal of credit on the part of the staffs and officials of the Department of Communications and of the CRTC for their respective roles in administering technical and regulatory functions during the corresponding period. This has been accomplished in tandem with the most comprehensive importation of foreign signals of any country in the world in direct competition with our own complex national broadcasting system.

Since 1968, when there was relative indifference on the part of common carriers, provincial authorities, as well as many off-air broadcasters, we have seen the growth of natural, if partisan interests, in all aspects of cable-TV. We have been guided by one fundamental. The mandate of the Broadcasting Act of 1968 directs us to protect and strengthen the national broadcasting system of Canada. While that Act spelled out clearly that off-air broadcasting and cable were integral parts of the system there have been strains and tensions — growing pains, if you wish.

I can tell you that we feel the recent recognition of certain common goals and obvious effort by off-air and cable broadcasters to discuss problems and objectives is a heartening and welcome sign of growing maturity in Canadian broadcasting.

To those of you who may think the Commission has been tardy, I suggest a reflection on the developments of eight years. Today we have a comprehensive technology of satellites, off-air broadcasting, co-axial cable, micro-wave and cable systems serving Canadians. Above all, since 1968, television and radio — Canadian television and radio in both official languages — is closing the gap of coverage, now reaching over 98 per cent of Canadians. This is a vast improvement over 1968.

We can readily take pride in our sophisticated systems with a multiplicity of choices, but I urge you to remember that through the public system of the CBC and the initiatives of the private operators of CTV the system has not been allowed to develop at the expense of disallowing coverage to those of our fellow citizens who live and work in remote and isolated locations.

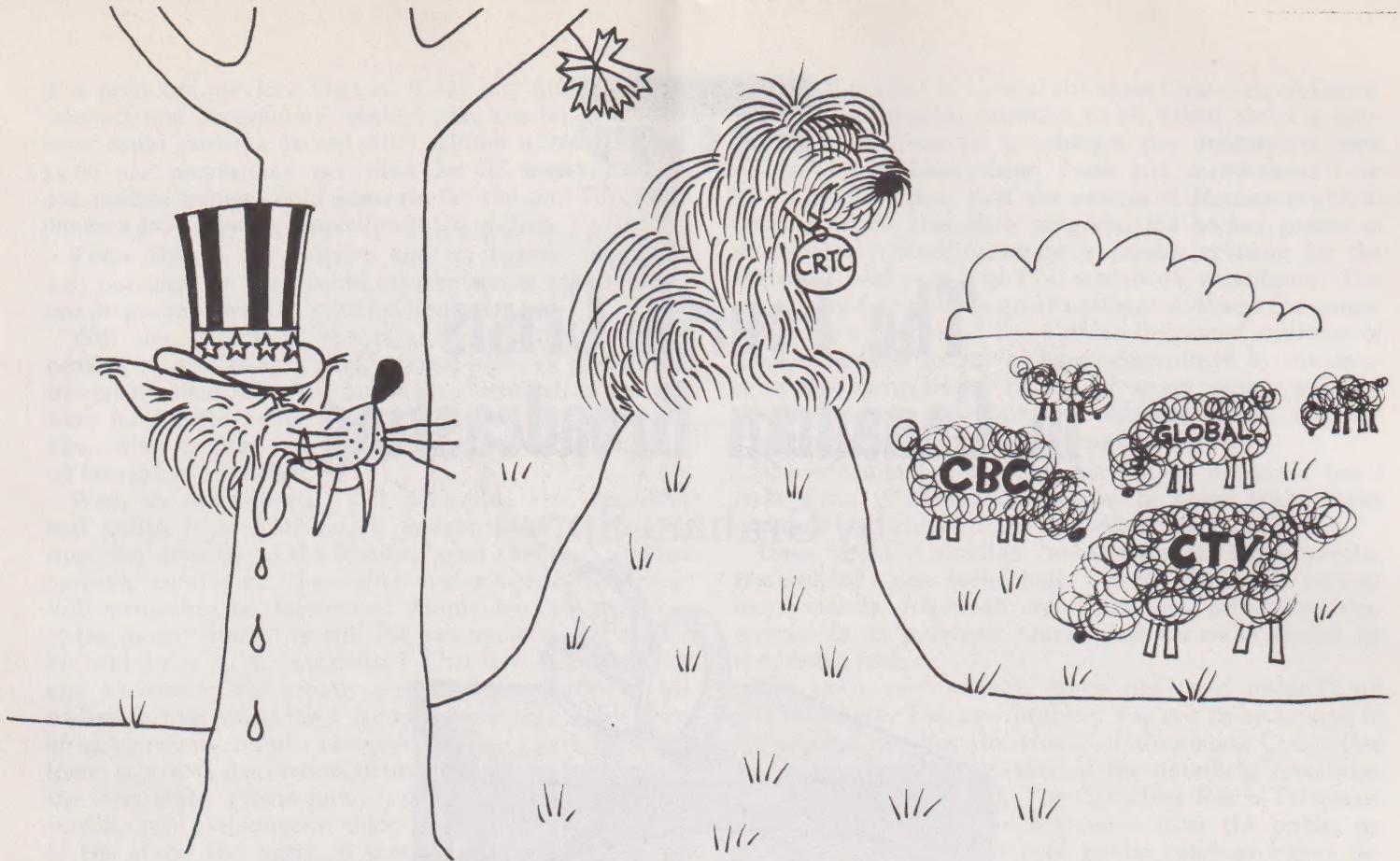
This gave the Commission a certain security in discussing with the Minister of Communications the introduction of pay-TV. There remained certain concerns. On April 26th of this year I spoke of these concerns to the fiftieth annual meeting of the Canadian Association of Broadcasters and, while acknowledging the inevitability of pay-TV, asked:

"Will pay-TV in Canada be another conduit for siphoning off more of our resources for foreign production industries or will it include reasonable incentives for Canadian production?"

It has been apparent that this one major problem transcends the normal administration of the Broadcasting Act of 1968 because the structure of the programme service to pay-TV will have an effect not only on cable operators and off-air broadcasters but on the whole range of creative programme production resources of Canada.

Members of the Commission have had the opportunity to consult frequently with the Minister on this aspect of the introduction of pay-television. I urge you not to underestimate the Minister's remarks and simply conclude that the introduction of pay-television is considered as a mere broadening of entertainment choice for subscribers. The Minister's statement has a national significance well beyond pay-television. It should be considered, as the Minister has enunciated before, as the beginnings of a national policy of **"cultural security"** for Canada. We are, accordingly, pleased that Mrs. Sauvé sustains those deep concerns that pay-television be introduced in a harmonious way with the existing elements of the broadcasting system. The Minister has also undertaken to share with her cabinet colleagues the national concerns regarding safeguards as to how a structure can

Harry J. Boyle is Chairman of the Canadian Radio-Television and Telecommunications Commission (CRTC). He is also a winner of the Stephen Leacock Award for Humour.



be found to accommodate a full range of Canada's cultural and creative production resources.

In its 1975 position paper, the Commission said "*We are determined that pay-television shall develop to primarily benefit Canadian broadcasting, the programme production industry and Canadian creative talent.*"

That assessment was based on the knowledge that technical innovations and facilities will develop and need no encouragement or added momentum from government authority. The physical system for pay-TV is there to be introduced. There will be no hesitation in structuring the physical system. It has a seduction of its own. There is, therefore, no value in a sterile demonstration against technical progress. However, to allow an opportunity to slip by to convert technical systems to a national purpose with a conscious and dedicated restructuring of the national broadcasting and cultural system, would be inexcusable.

The Commission, therefore, has been called upon by the Minister to continue its earlier process of June, 1975, and to issue a public announcement requesting further views on "*the structural development of pay-television and its integration into the Canadian broadcasting system.*" The Commission will, therefore, issue a public announcement requesting comments on the issue of the structure of a pay-television network operation. The deadline for receipt of representations will be September 1, 1976. The Commission will be asking for responsible and informed comments on proposals for the establishment of entities to formulate and distribute pay-TV programme packages in French and in English.

I would suggest that you also up-date any pay-TV submissions you may have on file with the Commission, and submit them to the CRTC along with your answers to the Minister's request for suggestions on how the structure which provides the programme package should be formulated in order that pay programming can be delivered to operators to be licensed in the normal way by the Commission.

It is my understanding that the Minister and her cabinet colleagues wish to fully consider the national implications of the pay-TV programme organization on not only broadcasting but also on related cultural and cre-

ative organizations in Canada. Following a policy decision on the form and structure of such an organization, the Commission will proceed by normal procedures to establish regulatory guidelines and call for formal license applications for distribution of the pay-television service to subscribers. We anticipate that this call will be possible well before the end of this year with an early hearing of the individual applications.

There is a tremendous challenge in the introduction of pay-television in Canada. Inherent is the concern that it must provide opportunities for Canadian creative talent and that as it increases in strength and resources there will be provision for a corresponding enhancement of Canadian programme production.

If I may recapitulate,

The CRTC will formally call for suggestions concerning the introduction of pay-television to be received by September 1, 1976. We anticipate many will wish to up-date submissions which are already in the hands of the Commission. Others may wish to submit entirely new proposals concerning pay-television distribution.

By September 1, 1976, we also anticipate receiving responses to the request by the Minister of Communications for specific proposals on the structure of a suitable organization to provide programming for distribution to licensed broadcast undertakings.

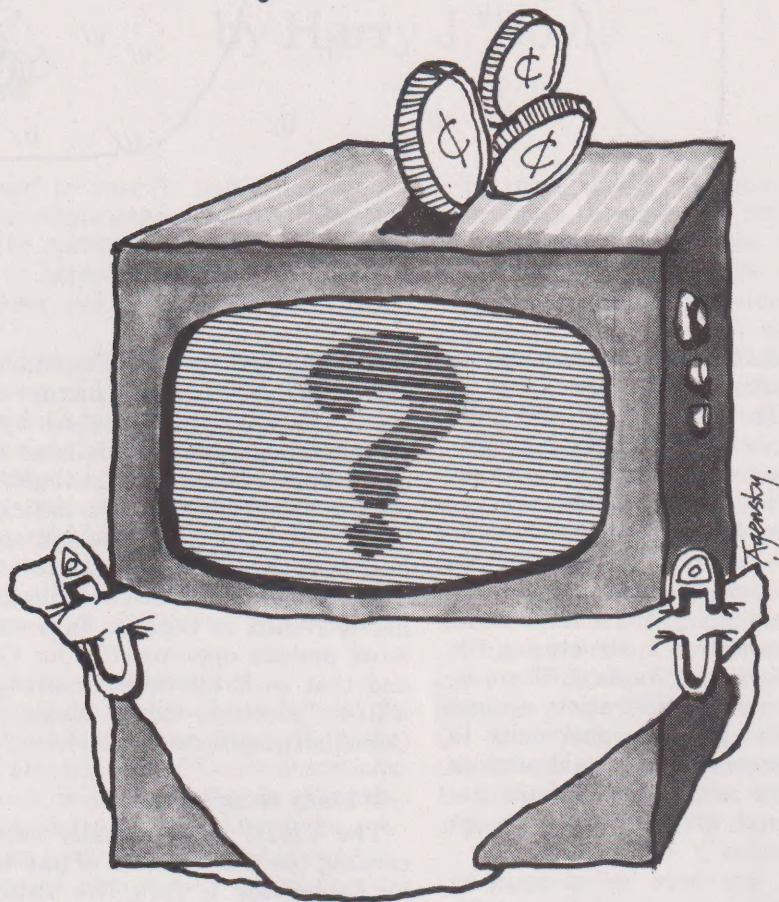
Following a policy decision on the national dimension of the programme supply structure, the Commission will proceed with its normal regulatory and licensing functions in connection with the formal introduction of pay-television.

We consider the introduction of pay-television to be an important and serious first step towards the re-possession of a Canadian broadcasting system and anticipate the full co-operation of cable operators, public and private broadcasters and all concerned parties. □

Statement given at the Nineteenth Annual Convention and Trade Show of the Canadian Cable Television Association, Toronto, June 2, 1976

The Fourth Crisis in Canadian Broadcasting

by Graham Spry



(...) Broadcasting, to which I now briefly turn, has been a life-long interest to me, not only because of its entertainment or education but because, in this age, it is the paramount instrument of social communication. Nay, communication is not merely an instrument, it is an integral and paramount element of both human individual and human social life. Who controls information, controls society. Without the communication of information there is no life and no society.

Since 1920 there have been three phases in Canadian broadcasting – radio, television, and cable. A fourth phase has been on the way for some years but only now has it become a subject of wide and mounting discussion. It is the emerging phase of distribution based upon the association of cable television and satellite in some

form of pay-T.V. We must thank the Minister of Communications, Madame Jeanne Sauvé, the Chairman of the CRTC, Mr. Harry Boyle, and the recent discussions in Toronto of the Canadian Cable Television Association for making this new phase a critical concern of at least some of today's rather skittish – what Senator Davey calls “bitchy” – Canadian public.

Time today rightly allows only very short and sharp statements upon the vast significance in power terms of this new distribution system.

First, there are the not improbable financial opportunities. One alternative under discussion is a pay-T.V. system based on monthly subscriptions of \$8.00 or \$96.00 a year. In the figures used in her recent address the Minister, Madame Jeanne Sauvé, cited a gross revenue of \$39 million a year of which perhaps \$6 or \$13 million might be devoted to Canadian programming – a trivial sum in North America but we must be grateful even for small mercies.

A second form of pay-T.V. is a charge for each programme selected in the home, say \$2.50 a programme

Graham Spry, a lifelong advocate of public broadcasting, organized the Canadian Radio League with Alan Plaunt in 1930. He delivered this speech at York University, June 12, 1976, where he received his 3rd honorary doctorate.

in a premium service. That is, if say one million homes selected one programme weekly, the annual gross revenue could perhaps exceed \$100 million a year. Indeed, \$2.50 per programme per week for 52 weeks paid by one million homes could generate for the pay-T.V. companies a gross revenue annually of \$130 million.

These figures are massive and, of course, hypothetical, but later on they could also be somewhat greater – one programme weekly is not itself massive.

Will the ownership, operation and conditions for licensing or regulating a new national network ensure that the money paid in by the audience is retained in the network for the financing of programmes of Canadian and, also, other origins – or will excessive funds be siphoned off into private pockets?

Who, in other words, will determine the ownership and policy of a distribution system based, ultimately from the Atlantic to the Pacific, upon this new national network combining the cable systems and satellites? Will ownership be determined simply by the operations of the money market or will the ownership and operation be held by a public authority? This is a large question and its answer will greatly change the structure of Canadian broadcasting. My conviction is that some form of autonomous public ownership is required, provided there is a real distinction between the term public and the term state. Where public opinion and culture are involved, my prejudice is this: as little as is necessary of the state, the party in power, and as much of the public as practicable.

There are hosts of other vital questions. This last is critical. What is the policy of the Department of Communications towards the CBC? Madame Sauvé's speech on June 2 was not designed, as I read it, to define precise policies but to awaken the Canadian people to the issues. The CBC, with the most extensive coverage and most extensive Canadian programming in both languages has, of course, its share of critics, rivals and enemies. But to turn the CBC either into a subordinate voice of the government, the state, or into a mere adjunct of some Toronto-dominated private pay-T.V. network would be unacceptable, indeed intolerable. No such implication is to be found in the remarks of Madame Sauvé, but there are intricate, even dangerous, problems to be resolved.

From the point of view of the mass Canadian audience, there is a particular question to be asked about a pay-T.V. system financed by charges per programme seen by the viewer. Look ahead, I ask you, a few years – or less – and suppose that the owners of Hockey Night in Canada decide that their property, the hockey games as programmes, would generate a greater revenue for the owners if sold to a pay-T.V. system or distributor. The result would be not the great national audience the games have long commanded but a much decreased audience of those more able to pay a charge determined by the owner of the programme rights for every game watched over home sets. The question also applies to, say, the most overwhelmingly popular American movies.

These comments are too short to be adequate but I trust some of them suggest two or three main issues and their importance to the Canadian people and nation.

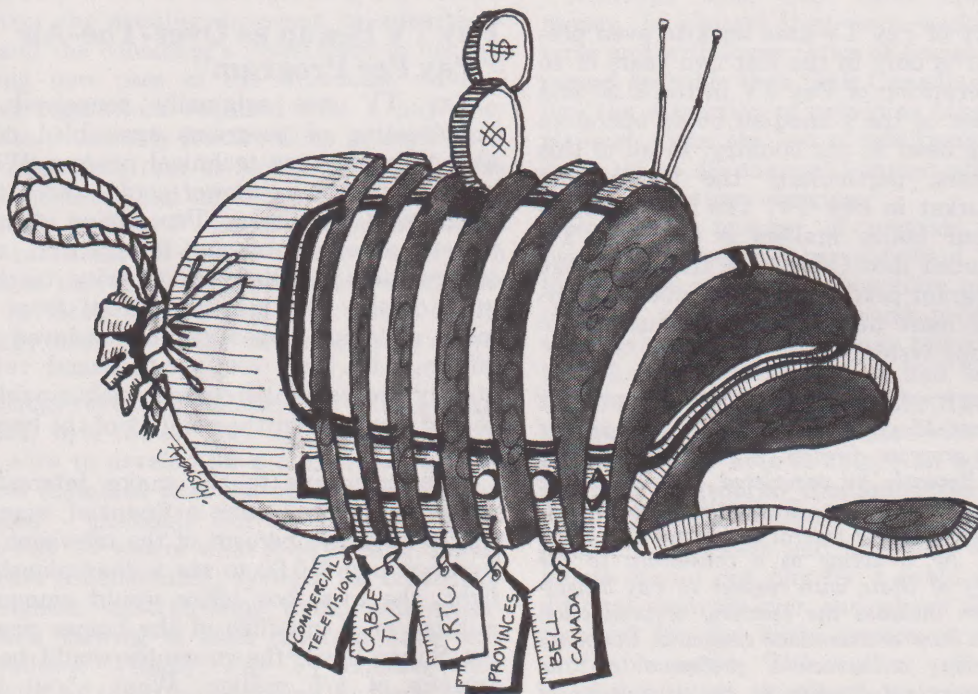
Once again, Canadian broadcasting is being revolutionized by a new technology, a great and useful technology, mainly American in origin and primarily commercial in its purposes. Once again we could be led up the garden path.

Yet until very recently there has been insignificant public debate. The new problem has not been defined in Parliament nor has the House of Commons Committee on Broadcasting fully examined the imminent revolution that has been launched. The Canadian Radio-Television Commission will receive comments from the public up to Sept. 1 next. Will it hold public hearings before deciding who shall own and operate the new distribution system? Who will decide, indeed, whether its purposes will be national purposes, those of truly national public broadcasting, or private business?

The fourth crisis and phase in Canadian broadcasting is rushing pell-mell upon the Canadian people and once again we know too little of what it means.

But this is the fundamental consideration. A society that has lost control of its information has lost itself. □

Remarks to the Convocation at Atkinson College, York University, June 12, 1976





The Big Picture

by Hugh H. Edmunds

Although the history of Pay TV goes back to even pre-World War II days, it is only in the last two years or so that the spectacular eruption of Pay TV in the U.S. and the subsequent interest of the Canadian cable operators brought the issue to a head in our country. In all of this our program producers, particularly the filmmakers, sense a large new market in Pay TV. The multimillion-dollar question for our policy makers is how Pay TV might best be introduced into Canada to the advantage of our indigenous program producers, the Canadian consumer, and with the least destructive consequences to our existing broadcasting system.

Hugh H. Edmunds spent 15 years in the public and private television industry as a program director, production manager, and producer-director. Recently he completed a study of the independent production industry for English-language broadcasting in Canada on behalf of the federal Department of Communications. Currently, he is acting as a consultant to the Department of Secretary of State with respect to Pay Television. His academic work includes the teaching of production courses in television and film and seminar classes in Canadian broadcasting policy. He is associate professor of the Department of Communication Studies at the University of Windsor.

Pay TV Began as Over-The-Air "Pay Per Program"

Pay TV was originally conceived as over-the-air broadcasting of programs scrambled or made unviewable through some technical process. With the payment of a fee the home viewer could watch the unscrambled program of his choice. Tantalizing ideas of symphonies, ballets, experimental and foreign film, a whole universe of programs directed to minority tastes was the promise of the new medium. Freed from the pressure of mass audience appeal which enslaved the commercial offerings to their cost-per-thousand ratings, new high-quality programs, heretofore unobtainable, could be purchased to watch in the comfort of the home. Such was the promise of Pay TV.

This brings us to the major interest in Pay TV — money. It doesn't take a financial wizard to figure out that if only five percent of the television homes in North America pay \$10.00 to see a championship heavyweight fight, the total box office would amount to nearly \$40 million, or if one-fifth of the homes pay \$5.00 to watch the Super Bowl, the promoter would be sharing a gross revenue of \$75 million. What about first-run feature films, the Metropolitan Opera, Broadway plays, etc.?

One Rand Corporation study has projected \$2 billion a year in total billings as foreseeable, but it's been slow in coming.

How Pay TV Developed

Earliest actual experiments began in 1950 in the U.S. but subsided while the courts debated whether this actually constituted "broadcasting" within the meaning of the Communications Act. This resolved in 1962, the FCC (Federal Communications Commission) authorized the Hartford, Connecticut, Pay TV experiment. Via over-the-air transmission, a program selection consisting mainly of feature films plus a few sporting events was shown. In Canada, Etobicoke was the site of another experiment, but this time cable was the means of distribution and the subscribers placed coins in a box to view the programs. Both experiments were variously labelled as failures; however, a number of factors were not taken into consideration. In the Hartford case, a great deal of experimenting was done with the content and the method of metering subscriber usage which was rather awkward. In Etobicoke, the pay system called for the installation of cable for Pay TV alone, rather than Pay TV being an additional source of revenue to a cable which was already paying its way by providing a basic service of distant signals.

During the next few years in the U.S., court actions to prohibit Pay TV were brought against the FCC by the motion picture theatre owners who felt the medium threatened their livelihood and also by the conventional broadcasters who not unrealistically feared that their choicer programs would be lured away to the new medium. A shift from advertiser-supported television to consumer-supported television was in the making, and although fewer viewers might be reached, the economics were such that vastly more monies could be spent for the content. Although the U.S. theatre owners eventually lost their case, the conventional broadcasters fought doggedly for the banning or restricting of Pay TV to prevent the programs now aired for "free" being "siphoned" off leaving the consumer (with his large investment in a TV set) to watch the leftovers. California citizens at the broadcasters' behest even passed a referendum – later reversed – forbidding Pay TV in their state.

As we entered the '70s the FCC hoped to resolve the arguments by issuing a set of anti-siphoning regulations designed to protect the existing programs on advertiser-supported TV (and the consumer's investment in his set) while "permitting new uses of the broadcast waves." In essence, these regulations required that a pay television operator could use only feature films younger than three years; or older than ten; or foreign films; or films for which the broadcaster had no interest. By and large, sports events shown on Pay TV could not include those currently being broadcast or special sports events such as the Olympics if they had been broadcast within the last ten years. In total, feature film and sports events were not to occupy more than 90% of the program schedule.

In spite of the huge revenue potential and with the legal problems resolved, over-the-air Pay TV, until recently, has been rather slow to develop for a number of reasons. Feasibility studies indicated that the public was not particularly interested – probably due to a general ignorance about what Pay TV was or what it could offer. Really efficient and secure (uncheatable) systems for broadcasting scrambled signals, unscrambling them, and metering the consumer's viewing of each program have only now become available. Finally, Pay TV licenses were restricted primarily to those broadcasters in large cities who were presumed to be in financial difficulties. They

therefore lacked the adequate financial resources to start up and exploit the new medium.

Now that the technical problems have been solved and with the demonstrated interest of the consumer, several large companies, e.g. The Wometco Corporation, are moving in and the full impact of over-the-air and probably pay-per-program Pay TV will shortly explode on the American scene.

The Current U.S. Pay TV System

However, a variant of Pay TV which makes use of the established U.S. cable systems has surged ahead. In essence the cable subscriber gains unlimited viewing of a special channel of selected programs for a monthly fee (average \$8.00) additional to the basic fee (average \$7.00). This system is referred to as "pay-per-channel" and curiously in our Canadian discussions this approach has become synonymous with Pay TV, and by inference synonymous with cable.

In this context it should be noted that the development of cable systems in the United States has differed markedly from Canada. The U.S. major cities with the exception of Manhattan are not cabled. Like Canada, the extension of cable and the willingness of the consumer to subscribe, has depended on the importation of distant signals. For Canadians this has meant U.S. stations. For the U.S. consumer this has meant stations not otherwise available in the community. Of the large U.S. cities, at this time, it is only in Manhattan that there is sufficient consumer demand for cable as a means of overcoming reception problems due to industrial interference and "ghosting" to warrant the expense of a cable system. (However, newer and cheaper technologies involving multi-channel omni-directional microwave – known as MDS – transmitting the TV signals to individual buildings for internal distribution by cable, or even homes, may advance rapidly.)

The apparent plan in the United States, therefore, is for Pay TV to be distributed over the air in most major cities and by cable in the smaller centers. In Canada it is the major centers that are cabled while the smaller communities (and rural areas) are not.

How Pay-per-Channel Developed

Although most U.S. cable operators were making money, in general they were working with smaller systems and with lower ratios of homes subscribing to homes passed by cable than their Canadian counterparts. Therefore the attraction of providing other services to produce revenue, since the use of additional channels (cable can carry up to 40 channels) meant slight or negligible further cost, was very enticing.

Rapidly a number of program suppliers came into being who would either supply a "menu" of programs for a single channel or negotiate on behalf of the cable operator with the Hollywood producers for the rights to program a channel of pay television. Already a number of cable operators had had to offer a channel of feature films in addition to the distant stations in order to gain basic subscribers. Now with better product available they were able to charge an additional fee for a pay channel. In general, this amounted to \$8.00 a month of which the cable operator kept approximately half and the program producers and suppliers took the rest. \$4.00 a month would not pay for a cable system but as an additional revenue over and above the \$7.00 subscription received for the basic service, it represented a highly profitable extra. This rather primitive Pay TV then depended on an existing cable system programming one or possibly two channels for which the viewer paid \$8.00

per channel a month to view primarily six to eight new feature films per month, each repeated many times that month and the following month, plus assorted other content. Non-subscribers were prevented from viewing the pay channel by a trap (filter) placed at the connection to their home, or the signal was scrambled and pay subscribers were provided with a descrambler. On this basis less than a year ago there were a quarter million subscribers. The number now is probably close to one million, or about 1.5 percent of the TV homes in the U.S. or 10 percent of the 10 million cable homes.

Current Programming

The actual content of the pay channel varies from location to location depending on whether the cable operator makes his own arrangements for the programs, whether the operator subscribes to a service, or whether the operator belongs to a chain of cable systems which has worked out its own package of programs, or whether a program supplier has leased a channel from the cable operator and supplies the programs for that channel. The largest supplier of programs is Home Box Office of New York, a Time-Life Inc. subsidiary, which has pioneered in the use of satellite transmission to distribute 12 hours of programs each day to about 40 locations. At the time of this writing, Home Box Office is estimated to have half a million subscribers or half of the cable homes which subscribe to a pay service in the U.S. The subscriber receives not only fairly recent feature films such as **Farewell My Lovely**, **Rollerball**, **Swept Away**, etc., but specially produced programs like **The Bette Midler Show**, **Les Folies Bergère**, and uncensored comedians in performance "on location." Home Box Office has also carried via satellite from Europe the non-televised tennis matches at Wimbledon and many league games of the NBA and the National Soccer League which were not otherwise televised. They have also been experimental in the use of rather *avant-garde* film as indicated by their purchase of content from the Independent Cinema Artists and Producers Association.

The other major program supplier is Telemation Program Services which distributes its feature films and other programs via video-cassette. This company acts rather more like a film booker than an actual program supplier since it usually negotiates with the film producer for the rights for use in a particular market and the cable operator himself signs the contract with the film producer. In this way a much more flexible "menu" may be offered by the local cable operator, taking into account particular community tastes. In all cases the program suppliers have avoided any X-rated films, probably because it is a sensitive and untested issue and the pay-per-channel approach doesn't lend itself to control of content by the parent in the home. There is some evidence that those cable systems using Telemation Program Services achieve higher penetrations of pay television subscribers than does Home Box Office.

It should be pointed out, however, that all figures are changing rapidly. Pay TV in the U.S. is only in its preliminary exploitation stage and any assumptions or projections based solely on this current U.S. model which take for granted that it is either the only one, the ideal one, or the future one, should be highly suspect. It has just happened that a correct mix of program content, cost of available programs, consumer interest and willingness to pay the required cost, technological costs, and cable already in location have come together into an economically viable system. For Home Box Office, using the sophisticated satellite delivery system, this has meant huge start-up costs and it is probably only now

turning the corner. It is safe to say that this will not be the final model in the U.S. (but more of that later).

What does all this mean for...?

As late as the beginning of this year the CRTC had determined that Pay TV was premature. However, due to pressure from the cable operators and the rather hollow threat of unregulated Pay TV, it appeared in May that the federal government was about to move precipitously and superficially into this area. In happy expectation of the imminent licensing of Pay TV, the cable operators of Canada assembled in early June for their annual convention in Toronto's Four Seasons-Sheraton. The high spirits abruptly stopped when Madame Jeanne Sauvé, Minister of Communications, announced that, yes, Pay TV was imminent, but that the federal government and the CRTC were suggesting other options, even up to and including a government monopoly. CRTC chairman Harry Boyle strongly advised the cable operators to review their current proposals and submit revised ones with the transparent implication that suggestions to date were unacceptable. What reduced the convention to a state of shock gave heart to the Canadian program producers. It appeared that the federal government was adamant that at least a reasonable share of the Pay TV spoils would be directed toward development of the Canadian program production industry. Before discussing options available for Canada, it is well to note that our entire system of broadcasting is in a state of crisis. It is only now fashionable to release the figures indicating the destruction of the viewing of Canadian programs due to the proliferation of U.S. stations via cable and the increase of U.S. programs aired due to newly licensed Canadian stations. In English-speaking Canada as a whole, only one hour in three is spent viewing Canadian programs and in Toronto it is one hour in four. This hour is primarily news and sports. Even more alarming is the research which indicates that by age groups the least viewing of Canadian programs is being done by our young people. If television has the power to sell merchandise, it certainly has the power to sell an alien culture. The whole purpose of broadcasting in Canada has been undermined and the solutions are not easy.

A Positive Role?

The question, then, is whether Pay TV, although unlikely to fragment the existing audience very much, can be directed toward redressing the balance through some positive role. A recent study by the author and colleagues into the independent production industry for English-language broadcast in Canada has demonstrated, rather conclusively, that our entire broadcasting system is structured against the independent producer. The broadcasters own their own production facilities, the means of distribution, and control the exhibition of programs. This is not dissimilar to the plight of feature film in Canada where foreign producers control the distribution companies and the Canadian theatres. Very simply, the current system has no incentive to make use of independent production. The other problem, of course, is whether either the existing broadcasters or independent producers can make programs that Canadians would want to watch. In the U.S., advertiser-supported television for the current year can pay \$300,000 for a prime-time one hour program. This is not to say that the viewer gets what he wants, but the viewer gets what can be made most "audience-attractive" for \$300,000. In order to compete with other producers, the producer spends virtually all this amount in production costs, hoping to reap a profit in later syndication or in foreign sales, which in the case

of Canada means a \$4-6,000 return (that is, as long as we remain a seller's market).

Only a tenth of the U.S. population

A Canadian-produced program must not exceed approximately \$15,000 a half-hour to pay its way, since we are one-tenth of the U.S. size. However, if the economic base for program production moves from the advertiser-supported to consumer-supported as in Pay TV, would this mean the funding of programs Canadian in origin but with the sophistication and production values found in conventional U.S. product? Could we then make programs Canadians would want to watch? Ultimately Pay TV is much more program-oriented than our current systems, particularly on a pay-per-program basis. Our existing system has been saddled with immense expenditures for extension of services, and investment in plant, distribution and transmitters. Although we have refused to permit substandard technology and have applied rigorous qualitative technical standards, we make no such demands on the content. We do set a quantitative standard on the amount of Canadian content on over-the-air broadcasting but leave it to the broadcaster to determine the qualitative standards. On the whole, we install first-class hardware to distribute second-class content.

The federal government (for pragmatic rather than cultural reasons) seems to be demanding far greater participation by Canadians in the production of broadcast and film programs using our creative and other resources, particularly if export dollars are involved. By simply applying the existing U.S. model for Pay TV to Canada, it is rapidly apparent that the bonanza of dollars for Canadian programs is simply not there. Madame Sauvé, in her address to the cable operators, conservatively projected thirteen and a half million dollars for Canadian programs annually at some future time, or roughly the price of two Hollywood feature films per year. This projection was based on 35% of the existing cable subscribers electing to pay another \$8.00 a month for pay television of which 15% would go to Canadian program production. This 15% of gross Pay TV revenues is the figure suggested by the Canadian cable operators and represents what they feel they can afford if given pay television. It probably also represents the amount we could underpay the American supplier for his feature films if a single organization were to buy for all the cable systems in Canada. If judiciously applied, this thirteen and a half million dollars would be very useful to the independent program industry, particularly as seed money for feature film production. The independent production industry study mentioned before did indicate that when our independent producers were funded sufficiently well to meet reasonable production costs, they showed good indications of international sales and profits. The other 85% of the \$8.00 a month would then go to the cable operators to cover the costs of selling the service, installing the necessary technology, billing and collecting, and acquiring the U.S. programs, with a profit left over.

Who cares?

With the advent of Pay TV a flurry of studies of the Pay TV problem have been set in motion in Canada during the last six months. The CRTC, The Department of Communications, and the Department of the Secretary of State are all much concerned. So are some of the provinces. The cable operators and the over-the-air broadcasters, including the CBC, are bidding for their role in Pay TV.

So are the independent program producers and the filmmakers. It is assumed that there will be no public hearing, but that the CRTC, upon receipt of the various submissions, will make a decision concerning the *modus operandi* and then call for applications. At this time the governmental departments are in some disarray. Each is convincing their minister that they alone know how Pay TV should be introduced and that the other department is hopelessly uninformed. In reality, everyone is pretty confused.

The policy-makers sense an opportunity to do something for Canadian broadcasting and for the Canadian program producer. However, as they burrow into the information and the statistics and the cost figures and the proliferation of hardware, they are staring at a medium which will probably send \$2.00 to the Hollywood producer for every dollar spent on Canadian content, with little promise of markedly assisting the goals of broadcasting in Canada. Such questions as how much money can be extracted from the system for a Canadian production and how this money can be distributed to program producers have not been satisfactorily solved. At present the cable operators suggest 15% of gross revenue which would be \$13.5 million based on 35% of cable homes subscribing to Pay TV. The private broadcasters offer 15% of gross revenue plus 40% of pre-tax profits which in the case of 45% penetration means close to \$20 million. However, \$8 million would be spent within the broadcasters' own operations, with \$5 million for "Pay TV and Culture" and \$7 million for Canadian feature films. The best government projections implying a government agency seem to be in the area of \$20 million and none of the above seem to provide incentives to producers in the sense that the producer profits directly on the quality of his work. What is lacking is a real sense of Canadian programs, and those who make them, being the dynamic heart of the system. It is simply perpetuating the real control of those who own the hardware and the delivery system in a medium where there should be very direct interaction between those who really buy the programs — the consumers, and those who make them — the producers. Part of the problem lies in slavishly accepting the current U.S. system and simply modifying it for Canadian application.

Two basic errors

Two basic but probably erroneous assumptions appear to be conditioning our current strategies. The first is that Pay TV is synonymous with cable and the second is that pay-per-channel viewing is more advantageous in Canada than pay-per-program. Let's deal with the first.

Over-the-air and Cable Pay TV

Although the past history of over-the-air subscription television in the U.S. has been very spotty and checkered, it is only recently that serious financial concerns have entered the picture and competition for licenses in the major cities has commenced. In the view of the FCC, over-the-air pay television is now on its way. Two or three years from now it may well eclipse cable-pay in number of subscribers. Four licenses have been granted and 16 more applications are pending. The technology for unscrambling the program and charging for its viewing is costly (in the order of \$100 per home), but over-the-air distribution of the TV signal is very much cheaper than cable. The objection that radio frequencies for television signals are in short supply doesn't hold up. Although there are areas in Canada where it would be difficult to create a new UHF allo-

cation, it would not be impossible, nor would the conversion of some of the existing UHF transmitters to pay be inconceivable. Other than these areas, there is a wealth of spectrum space available. Not only can over-the-air broadcast extend Pay TV to the less settled areas, it could also provide something akin to the basic service now supplied by cable to the urban areas, helping to equalize services and possibly aiding in offsetting the continual migration to larger centres. Over-the-air Pay TV could also serve our urban centers as it will in the American major cities if it becomes impossible to arrive at some agreement with the cable operators. The financial damage done to the broadcasters in Canada by cable might to some extent be redressed through the granting of over-the-air Pay TV licenses. It is curious how few broadcasters have pursued this option.

Pay-per-channel vs Pay-per-program

With regard to the second assumption that the pay-per-channel strategy is better than pay-per-program, the following arguments are usually raised. The technology for pay-per-program is much more sophisticated and therefore more expensive than pay-per-channel which indicates a greater capital investment in hardware is required using money that should be available for programs; that the technologies are not properly operational; and that since Canadians do not seem anxious to watch Canadian programs they certainly wouldn't pay for the privilege. The technical cost arguments have some truth. Without going into too much detail concerning the various technologies, the security of a pay-per-channel system depends on three options: placing a trap at the home of every non-subscriber so that they cannot watch the pay channel, placing a descrambler in the homes of those that do subscribe and putting a scrambled signal on the system; or using one of the midband channels (A, B, C, D, etc.) requiring the rental of a converter (which amounts to a very insecure system in Canada). Present trends would indicate that although the traps are relatively cheap initially they have to be installed at all non-subscribers' homes and they are rather easily defeated, a practice becoming more prevalent. The unsophisticated descrambler has a number of weaknesses depending on the method used. The converter system has no application in our major cities which need converters in any case. There is a considerable expense involved in all of these and a poor or insecure system would have to be replaced.

The move to pay-per-program viewing will probably take place in the not-too-distant future. Most experts agree that the consumer will probably prefer it; the available evidence indicates that gross revenues are markedly higher per subscriber; penetration will be higher, and that the program producers are becoming more militant about receiving an actual share of the box office generated by their programs. Not only does the evidence indicate that pay penetration will be higher with pay-per-program than pay-per-channel, the differential between the two will more than pay for the difference of cost due to sophistication of technology.

There are other considerable advantages to pay-per-program over pay-per-channel. The pay-per-program method is not restricted to one channel, but uses a multitude of channels. Contrary to the belief that pay-per-program would lead to the same market forces that control conventional commercial television, that is, mass audience appeal, this simply isn't the case. With a multitude of channels (since increase in number of channels is virtually without cost on a cable system), there is real evidence that a program which is bought by a total of only 2 or 3% of subscribers in all its many ex-

posures pays its way at least for the Pay TV operator. Expert opinion also indicates this could be as low as 1%. For example, if only 5% of the cabled homes in Canada paid just \$2.00 to see a Canadian production, this would amount to a gross box office of \$300,000. If our pay-TV system was designed to double or triple the producer's share of this amount, the return would be very significant.

Telecinema of Columbus (Ohio) is currently programming four channels and is experimenting widely with various program contents. One interesting trend is that the less-than-blockbuster feature film is showing significant results. Features that have been unreleased, or failed to receive prime distribution, when exhibited in the home have done surprisingly well. This bodes well for Canadian feature production.

Without the constraint of limited prime time on a single channel or attempting to please everyone with a single menu of offerings over a single channel, pay-per-program offers much wider diversity of choice and interest. Curiously, it also consumes less of the viewer's time than pay-per-channel and therefore has less of an adverse affect in fragmenting audience. (This technical capability of metering the pay channels has been extended to the monitoring of all channels in 800 homes and some curious audience preferences have come to light. Of all television viewing on Sunday morning, for instance, it appears that soft pornography appeals to the greatest number of homes.)

The Program-Centered Option

How would the Canadian producers, artists, and performers fare? Probably better than in the protective wrapper of pay-per-channel. Although that seems a safe approach, the danger is that the pay-per-channel subscriber who buys the whole "package" expects very little to displease him. The pay-per-channel operator would have to play it very safe.

Conversely, while pay-per-view does demand that the producer appeal to some definite audience it need not be large. Surely the producer does have some obligation to demonstrably interest at least some segment of the population. We do expect our symphonies and ballets to show substantial other interest before granting subsidies. Within this system a formula could be devised which would greatly augment the financial returns to a Canadian producer pro-rated to some extent on the program's success. From a financial point of view it becomes a highly leveraged investment and very attractive to the investor, yet all the monies are derived from within the system without call on the public purse. This program-centered option is worth some serious study. With the inclusion of over-the-air Pay TV and use of pay-per-program charging, the potential number of subscribers and the gross revenues rise considerably above the currently suggested models and can provide considerably more money for Canadian programs. Analysis shows there is also much greater opportunity for use of local and regional programs in this system and considerable incentive for them.

It would be regrettable then, that if the United States is about to move toward over-the-air pay television and pay-per-view, we were to install a modified and soon likely to be obsolete system which probably would not offer the maximum potential returns to Canadian program production.

We must also act in the best interests of the Canadian consumer while using the introduction of Pay TV as a beginning of an overhaul of our existing broadcast system. □

Pay Television and CRTC Jurisdiction

by Chris Johnston

Whether or not there is federal jurisdiction over pay television depends largely on whether it is being distributed on a conventional MATV or CATV system which also distributes signals received from the air. There is little doubt that systems which integrate closed-circuit with off-air services fall under federal jurisdiction.⁽⁷⁾ If there is no such integration and closed-circuit services only are distributed on the cable system, it is probable that the system falls outside federal jurisdiction subject to the following qualifying factors.

If the system crosses provincial boundaries or becomes part of a network connecting provinces it may fall within federal jurisdiction under para. 92(10)(a) of the *B.N.A. Act*. If the method of program delivery involves the use of the radio frequency spectrum (e.g. microwave) the system may come under federal control because of Parliament's jurisdiction over radiocommunication. Also, it may not be sufficient to physically separate closed-circuit services on different cable from that carrying off-air signals if the management and operations of the separate systems are integrated. The same may be true where the operations of a subsidiary company which might, when taken alone, be said to be carrying on a provincial function, form an integral and necessary part of a federally regulated parent company.⁽⁸⁾

Another possibility of federal control may occur where the distribution of pay television is accomplished through use of telephone wires of federally regulated carriers. Jurisdiction of such carriers was on April 1st, 1976, transferred to the newly formed Canadian Radio-Television and Telecommunications Commission. Assuming that Bell Canada, for example, will charge a toll for

the delivery of pay television, such tolls are subject to regulation by the CRTC. Subsection 321 (5) of the *Railway Act* is relevant in this connection in that it gives to the Commission jurisdiction to "make orders with respect to all matters relating to traffic, tolls and tariffs or any of them".

Finally, if pay television were to spread throughout Canada and were to result in a serious threat to the Canadian Broadcasting System or otherwise "attain such dimensions as to affect the body politic" (9) of Canada, the federal government might find jurisdiction under the opening words of s.91 of the *B.N.A. Act*, "peace, order and good government".⁽¹⁰⁾

7. Examples of cases in analogous fields which support this conclusion are *City of Toronto v. Bell Telephone Company* (1905) A.C. 52; *Luscar Collieries Ltd. v. McDonald et al.*, (1925) 3 D.L.R. 275, (1925) S.C.R. 460, aff'd. (1927) 4 D.L.R. 85, (1927) A.C. 925; *A.-G. Ont. v. Winner* (1954) 4 D.L.R. 657, (1954) A.C. 549; *The Queen v. Board of Transport Commissioners (GO Transit)* (1968) 65 D.L.R. (2d) 425; *Canadian National Railway Co. v. Board of Commissioners of Public Utilities of Newfoundland* (1976) 59 D.L.R. (3d) 71.
8. *Northern Electric Co. v. United Steelworkers of America Local 8001* (1972) 25 D.L.R. (3d) 368.
9. Per Lord Sankey in *In Re Regulation and Control of Aeronautics* (1932) A.C. 54 (1932) 1 D.L.R. 58, where it was held that the field of aerial navigation had attained such dimensions and therefore came under federal control.
10. For an interesting analysis of the scope of this general power see The Honourable Mr. Chief Justice Laskin's "Note on the Residuary Character of the General Power" contained in his text *Canadian Constitutional Law*, 3rd edition at page 269 where he states at page 270 "Nonetheless, in the *Canada Temperance* case, Lord Simon cited the *Aeronautics* and *Radio* cases to illustrate the proposition that if legislation is such 'that it goes beyond local or provincial concern or interests and must from its inherent nature to the concern of the Dominion as a whole', then it will fall within the general power of the Dominion".

Chris Johnston is CRTC General Counsel. This article is an excerpt from "Broadcasting Law - Notes on recent cases and developments" published in "New Developments in Communications Law".

The Cable Viewpoint

by Colin D. Watson

The cable television industry welcomes Madame Sauvé's recent initiative on Pay TV. As an industry we have been encouraging the development of the pay concept for many years. It has always seemed logical to us, particularly considering the increasing penetration of cable, that the cable plant has tremendous potential to provide not only off-air service, but also discretionary services of a wide variety.

One such discretionary service is a movie and theatrical event channel. Another might be a "frame grabbing" data retrieval channel. A third could be a "university of the air" channel, which, for a fee, allows viewers to take credit-bearing courses in their homes. The variety of programming material which could be offered to cable subscribers on a discretionary "pay to view" basis is wide indeed.

The Canadian cable industry is excited about participating from the outset in a venture that may provide a vital stimulant to the Canadian independent production industry. Madame Sauvé's speech on pay television at the June CCTA Convention stressed that:

"It (Pay TV) must ensure the production of high quality Canadian programmes that Canadians will watch."

Madame Sauvé's speech also requires Pay TV to:

"...ensure that programmes are produced in Canada for international sale"

and

"... provide a range of programming which does not duplicate that now offered by broadcasters and must do so without siphoning programmes from the broadcasting system."

These are worthy and realistic objectives for Pay TV; however, we in the cable industry believe that a fourth objective should be added:

"It must work."

In the context of "making it work", it is useful to examine the U.S. experience on Pay TV. The developments in Pay TV south of us have been well documented and reported. While little statistically valid analysis has been undertaken on the U.S. experience, some generalizations can be made that are relevant to those of us hoping to participate in the development of Canadian Pay TV. These are as follows:

- At a price of about \$8/month approximately 25% of the subscribers on a cable system will try Pay TV. There appears to be a real resistance to higher-cost Pay TV by cable subscribers.
- Once sold, a subscriber needs constant reselling to prevent disconnection. The disconnection rate is high.
- The 1,000,000-odd U.S. pay cable subscribers are virtually all paying on a subscription basis rather than on a per-programme basis.
- First subsequent-run American movies is the only consistently successful programme fare to date. Live sports are also an attractive offering.
- The pay channel should only carry material that has a high perceived value to the subscriber. "Filler" material should probably not be used.
- The pay channel should be operated more in the mode of a theatrical outlet than in the broadcasting mode, i.e. one or two events a day repeated over a series of days.
- There does not appear to be any significant siphoning or fragmentation as a result of the implementation of U.S. Pay TV. Pay TV induces extra viewing hours.
- Different markets appear to require some different programming. What sells in New York does not necessarily sell in Kansas City or — putting it another way — New York City citizens have different tastes than those in Kansas City.
- In markets with low cable penetration, Pay TV is helping to sell cable.

Before trying to adapt the U.S. experience to the Canadian scene, it is worthwhile to examine some of the basic differences and similarities in the two markets. The following stand out:

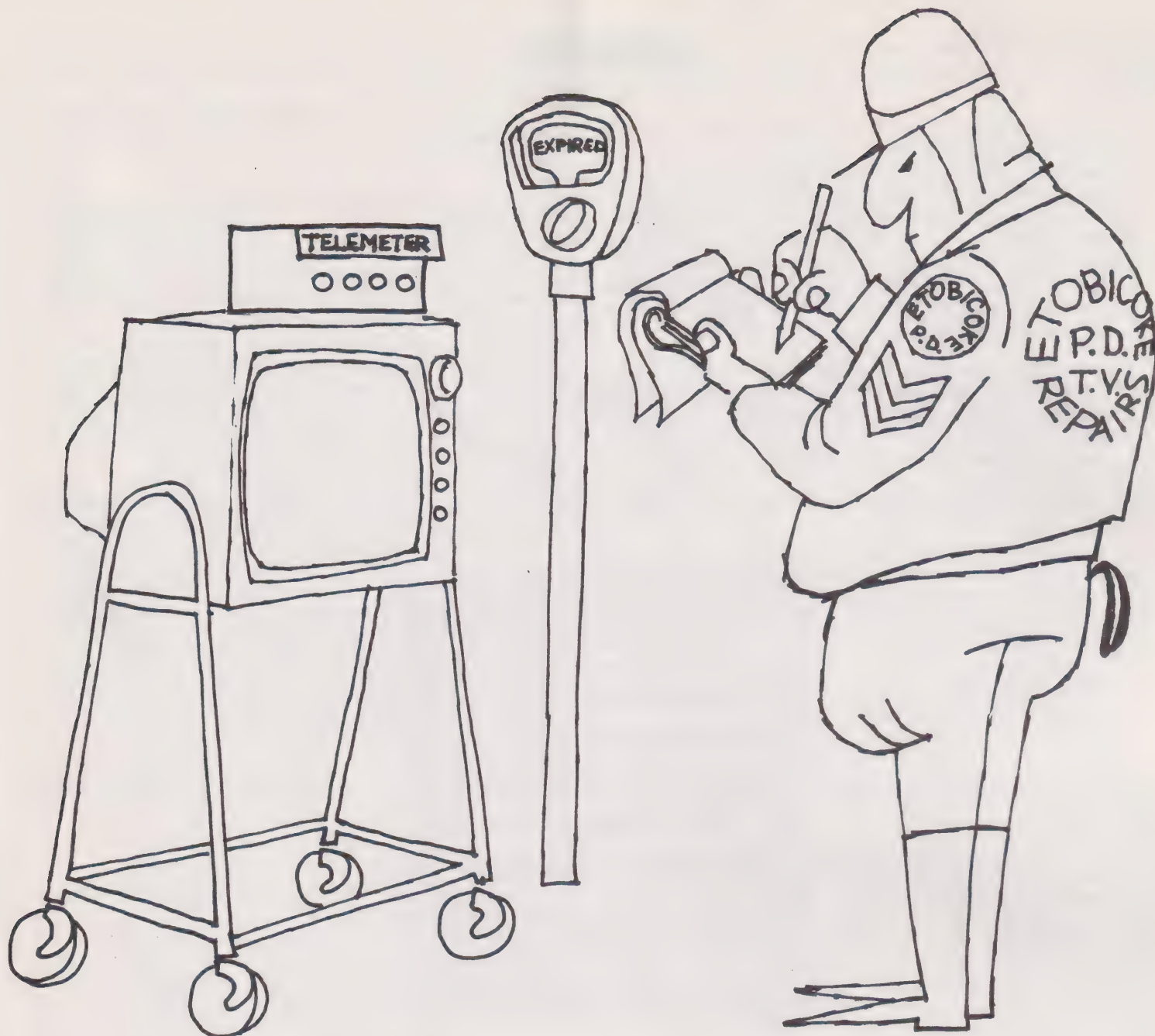
1. Canada has much higher cable penetration than does the U.S. Hence, unlike many U.S. cable operators, the Canadian cable industry will not be able to subsidize Pay TV rates through increased cable revenues gained from an overall growth in cable penetration.
2. Pay TV in Canada must dedicate a certain percentage of gross revenue (15% has been suggested) to Canadian productions that, at least in the early years, will not have subscriber appeal comparable to the imported product.
3. Canadian viewers are very much attuned to U.S.-style programming and from a marketing standpoint we can probably conclude that a successful U.S. pay programme format will be successful in Canada and vice versa.

Insofar as the only consistently successful programming format on U.S. Pay TV consists of the provision of U.S. movies, we can conclude that this format should be used in Canada to initiate the development of pay cable and to subsidize the development of a Canadian independent film industry from the revenues thus generated.

One might conclude after examining the U.S. experience on Pay TV that an economically viable Canadian industry capable of sustaining Canadian productions could never develop, i.e. the Pay TV revenues would be comparable to those in the U.S., however, the product costs would be significantly higher.

The creation of one national Pay Television Network, however, as a buying monopoly could avoid the dysfunctional buying competition that currently exists between major Canadian broadcast networks in competing for U.S. product, and thus free up programming funds for the acquisition of Canadian product.

Colin Watson is president of PTN, Pay Television Network Ltd., and vice-president of operations of Canadian Cable Systems Ltd.



The model envisioned by the cable industry for Pay TV in Canada is shown schematically in Figure 1.

We envision a national Pay Television Network (PTN) with an English-language division and a French-language division. PTN should be a non-profit or "flow-through" operation set up only with provisions for investors to recoup their initial capital investments. PTN should have four distinct functions:

1. The purchasing of U.S. movies.
2. The purchasing/commissioning of Canadian product.
3. Helping the cable company exhibitors with the marketing of PTN product.
4. The distribution of its product to the cable company exhibitors, whether by tape or by direct satellite feed.

PTN must clearly operate in such a manner that it benefits the entire Canadian broadcasting system and specifically engenders the development of a Canadian production industry that can compete on an international scale.

The cable operators' self-interest in Pay TV is served through the provision of the exhibition facility. The cable industry is currently examining the feasibility of providing the subscriber hardware (perhaps upwards of \$100 capital cost per subscriber) and the additional services

required to implement Pay TV. At this point, the economics are far from clear; however, the cable operator will certainly require, as a minimum, 55% of the gross subscriber revenue to finance operating expenses, the potentially heavy terminal capital costs and miscellaneous other capital costs.

Naturally the cable industry's continuing interest in providing the exhibition facility for Pay TV is dependent upon its ability to earn a fair rate of return on its incremental capital investment for Pay TV.

The independent Canadian producer is well served by the proposed model as not only does he have access to a guaranteed flow of investment funds, but he also has guaranteed exhibition for his finished product.

The Canadian broadcaster will benefit directly by having access to additional Canadian content (after the initial Pay TV run) and indirectly through added revenue directed to broadcaster-owned production facilities.

PTN itself should probably have ownership and/or directorship representation from all sectors of the Canadian broadcast community as well as the production industry.

There may be a valid argument for public representation in PTN. PTN must, above all, be designed in such a manner that the creative elements of the Canadian production industry always have access to PTN program-

ming dollars. PTN must not fall into the trap of channelling its funds for production towards "in-house" facilities.

The cable industry feels that it must have a strong voice in PTN for two reasons:

1. It has all of the capital at stake and from a business standpoint cannot be without an influential voice in the affairs of a programming monopoly with which it must deal for product.
2. It has a vested interest in ensuring that the product buying decisions, particularly the Canadian ones, are based solely on the criteria of creative excellence and marketplace acceptance.

As a positive response to Madame Sauvé's initiative on Pay TV, the CCTA recommended to its membership that a company be incorporated to coordinate the industry's activities on Pay TV. PTN, Pay Television Network Ltd., has filed for incorporation. The immediate objectives of PTN are:

1. To promote the participation in PTN by all CCTA member companies.
2. To encourage broadcasters, independent producers and the interested public sector representatives to work through PTN to seek **mutually** acceptable solutions for the implementation of Pay TV. PTN is **not** exclusively a cable operators' company.
3. To present a report on September 1st to the CRTC that outlines a "workable" Pay TV model that maximizes the benefits to the Canadian independent production community.

4. To act as a data resource for all segments of the communications community and the concerned regulatory authorities.

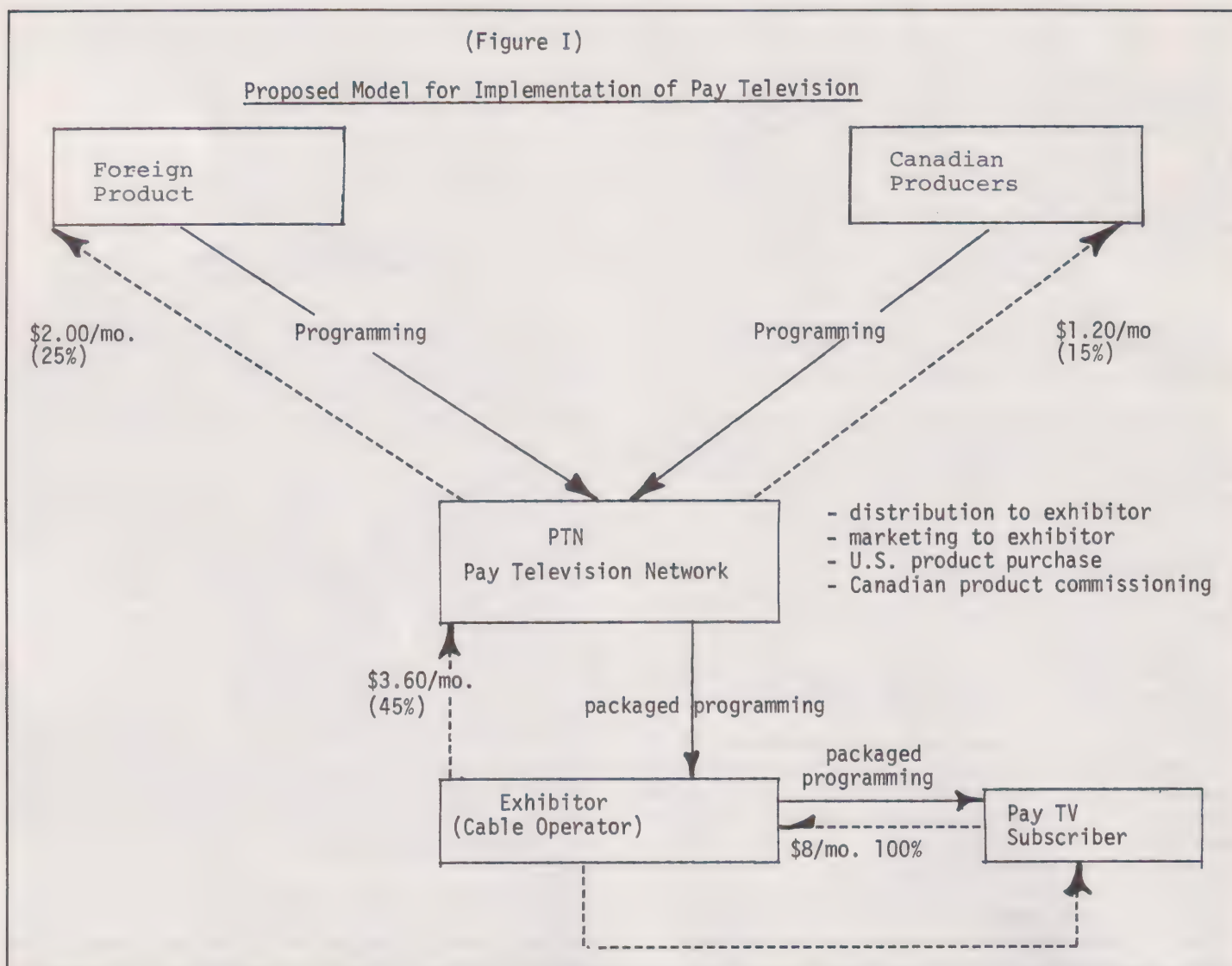
5. To apply for a Pay Television Network licence if our plan is favoured by the regulatory authorities after the September filing.

The management of PTN has initiated discussions with all elements of the broadcasting community, including the CTV network, the CBC and many independent broadcasters. At this point, discussions are continuing and we are hopeful that the broadcasting industry and the cable industry will find a common solution to Pay TV.

We have devoted a great deal of our time to date in seeking the help of the independent Canadian producer in the planning of our model. Naturally the production community represents a range of interests but, here again, we are quite optimistic that our current thinking is coincident with that of the independent producer.

In addition to our continuing dialogue with broadcasters and producers, we are developing a wealth of economic data on Pay TV that, with the help of our computer model, should, by September 1st, allow us to present a good business plan to the CRTC indicating clearly the profit potential and the "social dividend" potential of Pay TV.

The cable industry welcomes Pay TV as an opportunity to work within the broadcasting industry to provide a new economic stimulus to the Canadian creative community. It is certain that this stimulus will contribute significantly to the development of an economically viable Canadian production industry. □





Pay TV in the United States

Contradictions in Search of a Policy

by Thomas H. Guback

The status of pay-TV in the United States can be examined from two perspectives.

First, one could discuss its history and trace its development chronologically. Since the early 1950s, there have been numerous subscription television experiments in which a station broadcasts a scrambled signal that must be decoded in the home by a special apparatus attached to the subscriber's television set. The mechanism is activated by the insertion of coins or a special card that allows the viewer to be billed later.

For various reasons, these systems barely have moved beyond the experimental stage into large-scale use. Yet this method of transmitting programs for a fee to households clearly is not dead. Earlier this year, the American Subscription TV Company announced plans to launch such a service in Los Angeles; programming hopefully would begin early in 1977. Although the station's signals will cover an area with about 10 million people, the pay-TV service initially is aiming for 20,000 homes — the number necessary to break even financially. The anti-

cipated monthly fee for use of the descrambling device probably will be around \$5, and there will be a per-program charge for feature films comparable to the cost of a single cinema admission – that is, between \$3 and \$4.

The most widespread form of pay-TV now operates as a new auxiliary service of CATV. An additional program channel, usually costing about \$8 monthly, is available to homes already connected to the basic CATV system, which also costs about \$8 monthly. The special pay-cable service generally offers each month about twenty feature films, a few sporting events, and an occasional popular music or nightclub act. At the beginning of 1976, over half a million households subscribed to pay-cable. Three times that number will be receiving the service by year's end, according to one prediction.

One also must mention the development of many "in-house" pay-TV systems operating in hotels and large apartment complexes that show films to guests and residents, with payment on a per-program or per-month basis.

Another and more productive way to examine pay-TV is in relation to the political, economic, and cultural policies that surround its innovation and growth, for these ultimately are responsible for the nature and extent of service provided, and the medium's impact on other means of communication.

Since the early 1950s, the Federal Communications Commission (FCC) has been concerned that the development of pay-TV might result in a loss of conventional television service to the public. It has been feared that pay-TV, by turning a home's living room into a box office, could outbid commercial television for talent and programs, and that the loss of audience for commercial television would lead to diminished advertising revenue. These factors, it is said, could eventually kill individual TV stations.

To guard against this possibility, the FCC, after lengthy proceedings, adopted rules in 1968 governing over-the-air pay-TV. Subsequently, these were applied to the distribution on cable-TV of material for which specific per-channel or per-program charges are made.

In 1972, the FCC began a rule-making process that resulted in the adoption on March 20, 1975, of new rules regulating subscription programming. These continue to reflect the Commission's policy that the public's access to programs currently offered by commercial TV at no direct cost to viewers should not be threatened by pay-TV. Due to this position, the FCC is charged with being "pro-broadcasting industry" because its rules are said to protect commercial TV while hindering the growth of pay-TV.

The FCC's rules are complex, but provide that commercial advertising is not permitted in conjunction with pay-TV programs and that series programs previously broadcast on commercial TV are not to be offered on pay-TV. Moreover, not more than 90 percent (!) of the total programming on a pay-TV system may be sports and feature films. In practice, however, current programming on pay-TV consists almost entirely of motion pictures. FCC rules stipulate that pay-TV may show a film

(a) within three years after its theatrical release;

(b) more than three years after its theatrical release

only if the film is licensed to be shown on commercial TV in the same market served by the pay-TV system;

(c) that has been in theatrical release for at least ten years;

(d) if it is in a foreign language and not dubbed.

Naturally, these rules are opposed – but often for very different reasons – by the pay-TV industry, commercial TV interests, film production-distribution companies, cinema owners, the Department of Justice, and groups within the U.S. Congress. The development of pay-TV – actually "pay-cable", because it is the dominant form – therefore can be seen as a power struggle, pitting major economic and political forces against each other in attempts to protect private interests and to exert spheres of political influence. The determining factor, of course, ought to be the public interest, but it often comes out second best as groups entrench themselves in this warfare for commercial spoils and to protect their investments.

The basis of many of the arguments is a belief that only the free interplay of competition – rather than FCC rules – should determine how pay-cable develops and what its programming ought to be. This position is advanced by (among others) the pay-TV industry, CATV interests, the Motion Picture Association of America (which argues that any restriction is a violation of freedom of speech), the Department of Justice, and is apparent as well in the January 1976 report by the staff of the Subcommittee on Communications of the House of Representatives. These groups call for "de-regulation" and the abolition of FCC rules concerning pay-TV programming.

Cable-TV interests, in addition, have asserted that revenues from their normal CATV operations have not been sufficiently high to attract new investors in this capital-intensive industry. They argue that more investment is needed to extend CATV to additional communities and to maintain the level of service of existing systems. CATV representatives claim that commercially attractive programs on a pay-channel, which does not greatly increase capital investment in equipment, can be a significant source of new profit that will attract more investors. It is asserted, therefore, that rules about the nature and quantity of pay-cable programming – such as those governing use of feature films – restrict the operations and profitability of pay-TV and CATV companies and therefore inherently retard national expansion of the system.

Commercial broadcasters, on the other hand, argue that pay-TV's unhindered use of feature films, sporting events, and entertainment programs will "siphon" such material from "free TV," and that the public will be obliged in the future to pay for what it now receives without direct cost. Commercial broadcasters, claiming that only strict FCC rules can preserve conventional TV from being crippled by pay-TV, have applied continuous pressure on the FCC and the Congress to achieve their objectives, just as CATV interests have lobbied against such rules.

Strange as it may seem, motion picture theatres generally have been overlooked in the debate about pay-TV and its competitive nature. Cinemas are threatened because the new medium will take away not only their films but also their audiences, and will exacerbate the kind of blow TV itself has dealt to theatres during the past three decades. Official statements from the Department of Justice, the staff of the House Communications Subcommittee, and others, simply ignore that theatres are a legitimate contestant in the debate about pay-TV. This is all the more surprising because the programming of pay-TV consists chiefly of feature films, the sole products offered by theatres. A curious fact is that although

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the FCC rules, as noted above, establish time frames for films available for showing on pay-cable – and thus *de facto* manipulate the pool of pictures also available for theatrical exhibition – the FCC has turned a deaf ear to testimony by the National Association of Theatre Owners. The FCC claims that it has jurisdiction only over broadcasting, not over cinemas, and refuses to recognize any negative effects of pay-TV on theatres.

Although this appears to be an insignificant matter, it is worthwhile to analyze it in more detail because it highlights a number of aspects of arguments over pay-cable, and exposes some fallacies on which they are based. A consequence of having ignored theatres is that much of the debate about pay-TV has proceeded from an inadequate conception of competition and the marketplace. Here, of course, it is necessary to accept as unalterable certain assumptions that have provided the basis for American media: that they are to be privately owned and operated for profit; and that competitive forces, without government intervention, automatically will regulate the behavior of media so that selfish interest is turned into public good.

The Department of Justice position exemplifies these beliefs, but unfortunately does not include a comprehensive view of communications media. In the absence of vigorous judicial efforts to eliminate concentration and cross-media ownership (conditions created, in part, by the FCC's pro-broadcasting bias), the Department of Justice seeks to foster pay-TV in order to create competition within geographic markets already characterized by centralized media ownership. The Department – implicitly attacking the FCC's protection of commercial broadcasting – believes that cable-TV should be released from confining regulations and should be allowed to compete freely for programming material and audiences against entrenched broadcasting interests.

In this respect, the Department of Justice, seeing the battle only as commercial TV versus pay-TV, misconstrues the dimensions of the real marketplace because it ignores cinemas, even though pay-TV's programming is almost entirely films. Obviously, pay-cable will have an impact on cinemas and the supply of pictures, but the Department has not bothered to inquire what it will be. As a result, the Department's policy of trying to stimulate competition through the expansion of pay-cable has the long-range effect of actually reducing competition because theatres will close due to pay-cable's use of films.

Seeking to unleash pay-cable in order to neutralize the oligopoly of the three TV networks, the Department implicitly admits its failure to pursue a strong program of antitrust and deconcentration as it pertains to broadcasting in particular, and to media in general. In effect, the Department of Justice acknowledges that not only has competition led directly to its opposite, but also that it is incapable of counteracting this inexorable trend through forceful legal programs, and that it must rely upon **anticipated effects** of new technology to accomplish what it has not been able to achieve.

Part of the fallacy in the Department's position – and in the report from the staff of the House Communications Subcommittee – stems from a failure to recognize that the new technology, like previous ones, is privately owned and operated for profit, and that this, rather than any magical essence in the technology itself, introduces the terms on which the technology is put to use.

The Department's argument, incidentally, parallels one advanced by Home Box Office and other pay-cable interests that "pay-cable is free of the restraints of commercial broadcasting." This, of course, is pure nonsense. Both the form of ownership and motive for

ownership are identical. What matters ultimately is the accounting book. Programming inevitably will tend toward what is commercially profitable.

This is an important consideration, especially because pay-cable proponents argue that it can provide a great diversity of programming. From an engineering standpoint, it can. In actuality, it will not, and for precisely the reasons that commercial television does not offer a great variety of programming. Under principles of sound management, in which profit maximization is the standard of achievement, programming naturally will be consistent with the revenues that are generated. Economic considerations, rather than attention to aesthetics or "minority tastes," dictate what is offered – and pay-cable in America already demonstrates this tendency. Its mandate is from the commercial marketplace. As long as the cable industry is profit-motivated, arguments about its alleged ability to bring "culture" to the populace simply are out of tune with reality. The history of private ownership of media shows these claims to be unfounded, although they often serve the purpose of arousing support from the more gullible segments of the intelligentsia, and of obscuring the true economic motives involved.

It is indeed refreshing, therefore, to discover a candid statement about these matters. Miles Rubin, board chairman of Optical Systems Corp., supplier of programs to pay-cable systems through its Channel 100 subsidiary, asserted to a Senate committee last year:

We entered this business primarily, if not solely, for the purpose of bringing full-length motion pictures, after their initial theatrical release... to viewers who sought to purchase them...

We were not entering into the business for the purpose of advancing the public interest. We entered into the business purely for commercial purposes.

The position of the Department of Justice is curious. It tries to attack concentration in network TV and centralized ownership of local media by fostering CATV and pay-cable, which already display high concentration and cross-media ownership.

On the community level, of course, each cable system is a private monopoly. Obviously if subscribers do not like what the pay-cable company offers, they have no place else to turn. Nationally, there is considerable centralization of control. The top five CATV system operators (TelePrompter Corp., Tele-Communications Inc., Warner Cable Corp., American TV and Communication Corp., and Cox Cable Communications Inc.) account for 28 percent of the 10.8 million households using CATV. Together with the next five operators (Viacom International, Sammons Communications Inc., Communications Properties Inc., United Cable TV Corp., and Cablecom-General Inc.), they have 39 percent of all subscribers. The 41 next-largest operators together have only 27 percent of all CATV subscribers, and the remainder is shared by many hundreds of other firms.

If one considers only CATV systems offering a pay-TV channel, then the same pattern emerges. According to a TelePrompter press release of March 11, 1976, the company had 96,500 pay-cable subscribers, out of approximately 404,000 pay subscribers nationwide, estimated at the end of 1975. Thus, it already controls close to a quarter of the market, and is growing rapidly.

Suppliers of programs to pay-cable systems exhibit even more centralization. **The Pay-TV Newsletter** of February 3, 1976, reported that at the beginning of that year, Home Box Office was distributing program material (predominantly feature films) to almost 281,000

pay-cable subscribers – about 60 percent of the national total. The second and third-place firms, Telemation Program Service and Optical Systems' Channel 100, together had about 31 percent of the market.

Home Box Office, a division of the Time, Inc. empire (1975 assets of \$760 million), declared that on April 2 of this year its pay-TV programming reached 386,000 subscribers, of which 75,000 received service through 28 earth stations from an RCA satellite, and another 306,000 through microwave links. The HBO network, which has the capability of simultaneous transmission of eight different programs, now has affiliated cable systems in 26 states, with orders placed for 47 additional ground stations.

The connection between the largest program supplier (Home Box Office) and the largest cable system operator (TelePrompster) merits special attention. Russell Karp, president of TelePrompster, recently pointed out:

The past year (1975) was characterized by an all-out commitment to pay-cable. We signed an agreement with Home Box Office, Inc.,... enabling us to offer Home Box Office programming to our subscribers, most of whom pay an additional monthly charge of about \$10 for this service. By mid-1976, we expect to offer Home Box Office and other pay cable services in 66 of our systems serving a total of 920,000 subscribers.

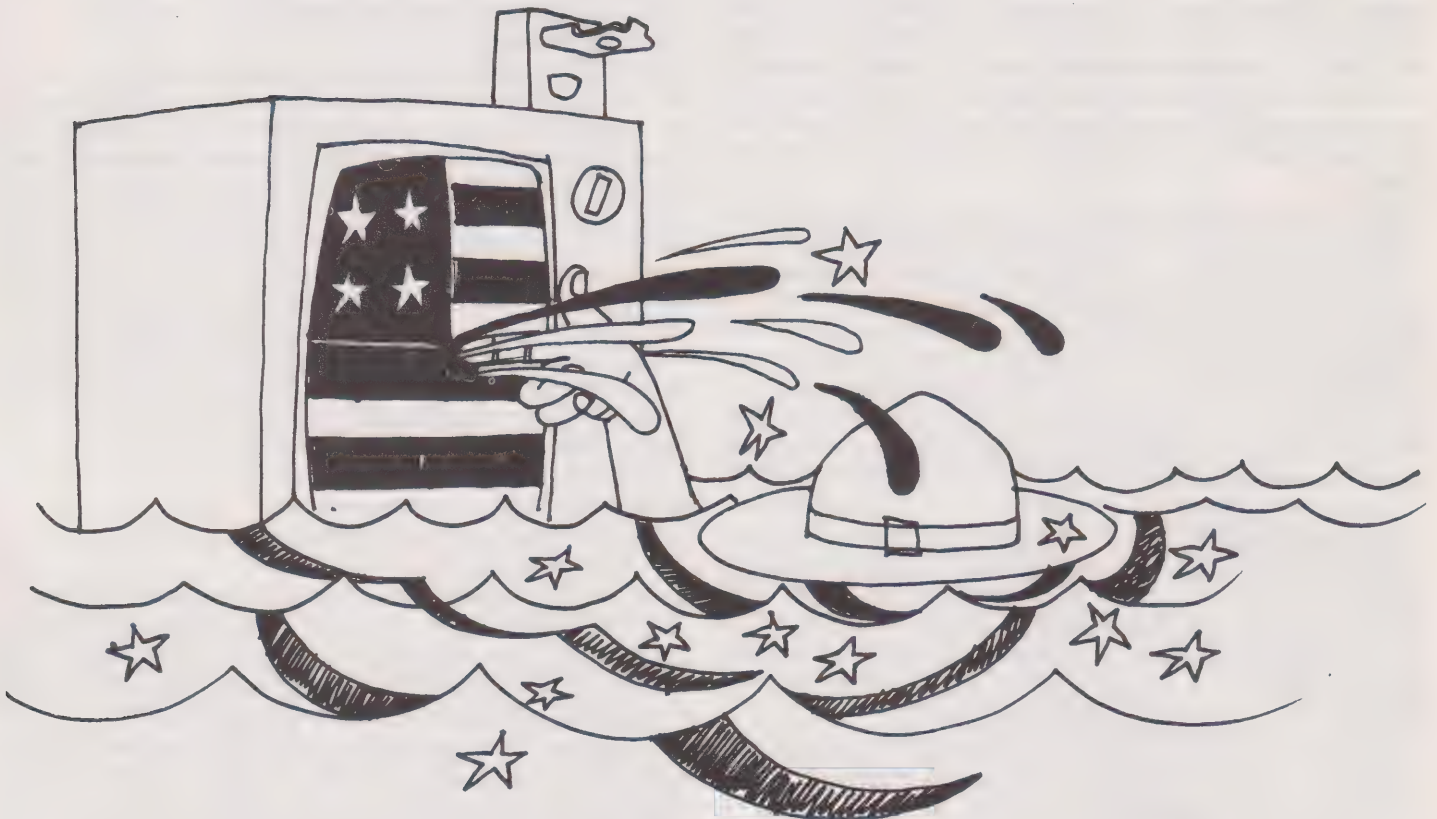
Moreover, the major cable system operators are engaged in other activities such as common carrier microwave operations, feature film and television program production and distribution, cinema operation, background music, phonograph, and radio and television station operation.

Although the Department of Justice continually calls for competition, the terms of competition between pay-

cable and cinemas simply are not equal. More than twenty-five years ago, the Department of Justice ruled that cinemas must bid for motion pictures on a theatre-by-theatre, film-by-film basis. Concerted action to acquire films by exhibitors, even by a theatre chain, was prohibited, as was the renting of packages of films. On the other hand, pay-cable systems, through their program suppliers (such as Home Box Office), are allowed to engage in concerted action to acquire films. One industry is forbidden to do what another is permitted. This amounts to a government grant of privilege to pay-cable that distorts the competition between it and cinemas.

Film producers and distributors have been active in renting their pictures to pay-cable, seeing it as another source of revenue with considerable potential. In July 1976, Twentieth Century-Fox and United Artists announced the formation of Hollywood Home Theater, a joint venture to lease daily programs of films and other entertainment to pay-cable systems. Apparently formed as a way to by-pass program brokers such as Channel 100 and HBO, Hollywood Home Theater will offer its facilities to all film producers and distributors. The company believes that feature films are "the cornerstone of pay cable television."

Another problem involves the sequential release pattern for motion pictures and where pay-cable fits in this scheme. Jack Valenti, president of the Motion Picture Association of America – a trade group representing a handful of the largest production-distribution companies – stated last year that films first would be released to theatres, then to pay-TV, then to network TV, and finally to individual stations. This gives the mistaken impression that each of the four tiers is autonomous, and that pay-TV will not compete directly with theatres for feature films.



In reality, however, there is no frontier between showing films on pay-cable and exhibition in cinemas. The FCC's rules, in fact, encourage pay-TV systems to show films as soon as possible after release. At the present, pay-TV overlaps with the second theatrical run of films, and in many cases is showing features six months or less after their first theatrical release. As pay-TV becomes more widespread and economically important, it is entirely possible that film distributors will by-pass most theatres and use it as the principal manner of getting films to the public.

Pay-TV's present use of films threatens cinemas because there has been a long-term decline in the number of releases by national distributors. Companies know, of course, that merely producing more pictures does not correspondingly increase their revenues, and that their position is favored when supply diminishes and a seller's market is created – especially when each separate theatre must bid against pay-TV systems for a film. By playing films simultaneously with cinemas, pay-TV begins to drain the already small pool of pictures suitable for theatrical exhibition, thereby exacerbating the product shortage.

Furthermore, data I have gathered demonstrate pay-cable's obvious negative impact on cinema box offices. In the New York City suburbs, theatres exhibiting a certain popular film after its showing on pay-cable in the same towns had significantly lower box office receipts than theatres in non-pay-TV communities close by that showed the same picture. This confirms what common-sense suggests. Cinema owners obviously are aware of pay-cable's competition and therefore avoid booking films that have been shown in their cities on pay-cable, or are advertised as going to be shown on pay-TV in the near future.

Basically the positions on pay-TV in America can be summarized in these ways: cinemas would like to be assured that they will have first chance to exhibit feature films, and that government regulation (if necessary) should insure that pay-TV has access to films only after at least a year has passed since their initial theatrical release; commercial broadcasters, especially the three networks, wish to be protected against pay-TV's potential ability to outbid them for feature films, entertainment programs, and sporting events; film producers and distributors naturally want no restrictions at all on pay-TV programming and want to be able to rent their pictures when and to whom they please; pay-TV companies want no restrictions on their own operations and believe – as Adam Smith did – that the marketplace should be the only guide.

These positions are indicative, of course, of the crisis in contemporary communications in which new technical forms are put to work under an ideological and economic umbrella that was functioning two centuries ago, even before the industrial revolution. As long as present forms of ownership are perpetuated, there can be no resolution of the contradictions and conflicts that stem from commercial motives and the warfare among private commercial interests.

What has not been considered in the United States is the question of public control of the means of production and distribution, and the creation of a communication system that serves society's needs, rather than one that generates new alienating wants. Private ownership simply is taken for granted.

It would seem that Canada, with different history, traditions, and precedents, needs to debate this fundamental issue, as well as an equally important one: whether pay-TV will turn into a conduit for the showing of more American films. □

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The June 1975 Public Hearing (CRTC)

Groups which submitted briefs on Pay-TV to the CRTC for the June 1975 public hearing

Rogers Cable TV Limited
 * Motion Picture Theatre Association of Canada
 Keg Productions Limited
 Advertel Productions Limited
 * Bell Canada
 ACTRA (Ass. of Canadian Television and Radio Artists)
 Telecommunications Research Group – Simon Fraser University, B.C.
 * Council of Canadian Filmmakers
 * Consumers' Association of Canada
 ACTV Limited - Edmonton
 * Canadian Cable Television Association
 * CTV Television Network Limited
 National Cablevision Limitée
 Canadian Film and Television Association
 * C.P.R.
 - Canadian Cablesystems Limited
 - Premier Cablevision Limited
 - Rogers Cable TV Limited
 The Rogers Group of Companies
 - Rogers Cable TV Limited
 - Coaxial Colourview Limited
 - Bramalea Telecable Limited
 - Essex Cable TV Limited
 * Canadian Association of Motion Picture Producers
 Broadband Communications Networks Limited
 * CITY-TV
 * Association for Public Broadcasting in British Columbia
 Western Coded Television Limited
 * The Canadian Broadcasting League
 * Canadian Association of Broadcasters
 Joint Broadcast Committee
 - Association of Canadian Advertisers Inc.
 - Institute of Canadian Advertising
 Northern Access Network
 Greater Toronto Cable TV Association
 Maclean - Hunter Cable TV Limited
 * Agra Industries
 Wendy O'Flaherty - 3165 12th Avenue, Vancouver, B.C.
 Western Cablevision Limited
 CBC
 * British Columbia Telephone Company
 Video Program Services
 * Telesat Canada
 W. Clifford Wingrove - London, Ontario
 Agravoice Productions Limited
 Bay Ridges Cable TV Limited
 Cable TV Montreal
 Western Cablevision Limited
 * Canadian Film Development Corporation

(*) Appearing before CRTC on June 10, 1975

"It Will Probably End the Motor Car"

an interview with
Marshall McLuhan

by Kirwan Cox and S.M. Crean



What do you think the content of Pay TV should be?

Content has damn all to do with what you are really talking about. You're talking about a new service and that has nothing to do with content. The motor car has nothing to do with content. The motor car has to do with a service that gets you out of your home and out on the road and it doesn't matter who's in the car. The car is a new kind of service and it creates a new kind of person. So, why don't we talk about the new kind of service represented by Pay TV, and the new kinds of people it will create (...) It certainly will not be a private person, nor will it be a nationalist person. It's a new type of group person. The TV generation gives you a sort of a foretaste of it. They couldn't care less about nationalism...

The nationalist bunch in Canada are not TV generation people. The TV generation is say 22 years old and under. That's their age group. The older boys belong to the 19th Century. (...) Nationalism is far too late, it's a 19th Century thing. (...)

The Olympics are an obsolete form, of course. They're finished. This is the last one. You are seeing a 19th Century form go under right now. It's not 20th Century.

Then what is 20th Century?

20th Century is much more dialogue and less competition. The whole 19th Century was devoted to competition and the Olympics is the supreme form of it. No, it's kaput. Nationalism is an old form of activity based on hardware and hardware production/industrial production. We're moving over to a world of software. (...)

The thing I was concerned about was the content of the channels when they do come on. You have of course most Canadians watching American programming either on their own channels or on American channels through cable. Do you feel that this is affecting the country in terms of its culture, in terms of its ability to identify...?

Now, this of course raises lots of strange problems. But the user is always the content of any program. Doesn't matter if it's a Chinese or a Hindu. If a Hindu is watching a Canadian program, it's a Hindu program. He translates it into himself, that's all.

What makes a person a Hindu but a series of cultural biases?

Well, I mean to say if you are an American Indian watching an Eng-

lish program, it is an American Indian program if it is watched by an American Indian. Remember, this is a very profound problem but the user is always the content of any program. (...)

Why don't we talk about what is the new kind of service represented by Pay TV; what does it promise in the way of altogether new possibilities? (...) Well, let's think about it because I haven't any positive information on the subject. For example, Pay TV depends upon taped or packaged programs available just as old recordings are available.

Not necessarily. In the case of sports they found that live is necessary.

But whether you broadcast a live symphony or one that was played the day before yesterday, there is not much difference. The instant replay is a very powerful and important new development in our time. And I think (...) you might say that Pay TV really depends on the instant replay. There is a new service very closely tied to the instant replay. (...) The computer terminal should be closely tied to Pay TV. You should be able to dial your computer terminal and get any show you want at any time of the day or night. This is quite feasible with a computer terminal. You don't have to wait for the channel to go into action.

So, as you see Pay TV, it's something where the consumer is the producer.

Very much so. This is the meaning of Pay TV. As it is the meaning of recorded programs in the ground-floor medium. (...) The TV form is completely producer oriented. A non-consumer oriented form. And so the kind of show that makes good video programming is one that's concerned with processes, not products. The ideal show on Pay TV would be a great composer rehearsing a symphony, not playing his symphony.

Why would that be?

Because that's the nature of the medium. The old medium, the ground-floor medium, is fond of products, but the new medium is fond of processes. (...)

You mean television is fond of processes?

Much more than it is of products.

And what would Pay TV...?

Pay TV is TV. Programming should be slanted toward processes.

Wouldn't that be frustrating if you always saw the rehearsal and never the end result?

No. But if you saw the end result it would be in a form that would be like a replay of a football game. If you see a replay, it is very different from seeing the play. The replay shows you how the play was made. (...) This is changing the nature of sports completely. The instant replay is drawing more and more attention to the actual process of how the game is played... how the play is put together. (...) Now, this in terms of the arts is much more attention to creativity, much less to consumerism. Much more concerned with the creative process and less and less with the product. (...) An almost inevitable thing is whenever a new service is available you do the old thing with the new thing. And so it doesn't matter what the new thing is, you try to do the old thing with it. And so, the whole temptation then will be with Pay TV to make it merely a cheaper or quicker way of doing the old job of broadcasting or service. This in the long run, of course, doesn't work. (...)

Apart from pay or commercial it's simply that the TV form itself is so different from the movie form, so incredibly different, that any attempt to put movies on TV is really a kind of frustrating experience for everybody.

So you don't feel Pay TV would make movie theatres disappear?

Well, I don't know about movie theatres but it certainly won't threaten movies because they're two absolutely different activities. And this I think is tending to appear. What is more to the point is that the audience of movies has disappeared and the audience of television is very different from them. The TV audience is multiple and the old movie audience was a monolith. Everybody went to see a Bogart or a Hitchcock. There was only one public for these shows. Today there are 50 publics, or 150 publics, for any movie. You don't get people to go to the same movie. Now that's TV, that's not movies at all. The TV public is multiple. That's why Pay TV makes sense because it can cater to a multiplicity of publics and tastes. (...) We have to get rid of the idea of "a public"... 1949 was the first year of network television. Network television destroyed completely and for good the monolithic unified audience - literate people who had watched the old theatre. And in its place came 50 or 1,000 or I don't know how many publics who

are not any longer interested in going to see the same play or the same show. Now, this may or may not be a good thing. (...) The fact is that electric services do not create monolithic forms or homogenous forms. They create very diversified forms of people. This is contrary to the ordinary popular conception of popular culture. What we are saying is that electric services create elites. Multiple elites, not single elites. And the kids today are elite bunches, and they are no longer a great big popular audience. (...)

I keep going back to the question... the national question or the national cultural question...

I just finished a monolithic essay on the subject of the Canadian identity after months of work and it's called "**Canada: The Borderline Case.**" My theme is quite simply that Canada has no identity because it has too many borderlines. Diversity does not create identity. It creates a very low-profile thing, whatever it is. If you want a real identity then you have to close off most of the borderlines and most of the cultural situations have to be thrown away to concentrate on a few strong positions and then you get a national identity. That's why you need a war and a great big bloodbath to create a national identity. (...) We have hundreds of borderlines including the Dew Line which is the one with Russia, one of our big hidden borderlines, which has a tremendous effect. Canada has hundreds of borderlines. The U.S. doesn't have a fraction as many as we do. (...)

What happens to a people who are a borderline case?

That means low profile. A borderline people is a people who don't have an identity. They have hundreds of identities. (...) We have multiple schizophrenia. It's not single, it's not a simple one, it's multiple. It is a very complex culture. Too complex for the size of the population. That's why we can't afford that much complexity.

Of course there is a great Canadian experience of not being American. Yeh. It is a huge one. But it's negative; it's not positive. But the Canadian is a much more complicated person than the American. So complicated that he's weak. He's too diversified. You don't get any strength until you get more unity and concentration. (...) The Americans have shed a lot of blood in the interests of unity. We haven't... if you want unity all you have to do is have a big bloodbath. Murder a few

million French Canadians or something like that and by gosh, you get a great Canadian identity. Who cares? Who wants a national identity on those terms? Identity incidentally is not compatible with electric technology. The TV generation kids don't have any identity. They have no personal identity. It's been completely scrubbed off, thanks to involvement. They're so close to each other, and to the rest of the world, that they don't have any private identity left. When you are at a ball game you are a nobody. And these kids are at only one ball game around the world. They have no private identity at all and no goals. (...)

It's a new situation caused by electric involvement in each other, and it's never happened before so we can't judge on anything historically at present. (...)

Then what will Pay TV do to the scrubbed person? I mean will it begin to replace the privacy?

If you have a public which has no private identity - I'm talking about the young crowd - they couldn't care less. That's why they don't want their parents around. The parents still have private identities which these kids never had and never will have. They don't want it. You see, a private identity creates all sorts of responsibilities and the need for goals and directions and morals and all sorts of things that they don't want to have anything to do with. (...)

Group identities are not private. A peer group is not a private identity. It's tribal, of course, and tribal identity is what they've got. (...) They don't want anything in the way of programming that lasts from one day to the next. They don't want stereotypes. No, that's alien to them.

Isn't there a conflict or contradiction between seeing Pay TV as something which allows greater choice, greater breaking down of the consumer market on the one hand, and the scrubbed homogenous, depersonalized generation which is going to be inheriting this?

There is a huge contradiction. And out of that contradiction they're going to have to make something new. No, there are no simple solutions coming out of this business. We are living in an absolute anarchy. The state of affairs right now is complete anarchy, mental and moral. There is no order at all in our world. (...)

Do you see that any technology is ever permanent?

Absolutely not. The book you can see is a great technology, a tremendous thing which is now phasing out... phasing itself out as the spoken word comes back.

Does that mean that people have stopped reading?

They had stopped reading long ago. They began to sample books

ten or fifteen years ago; they stopped reading them. But the unread book is the normal thing of our world. Look around here. I have only a few minutes in which to look at any of the books I have around here. I have to sample quickly and take them back to the library. Every day five or six new books come in that I can only sample, I can't read. But that's normal. The book is no longer something for reading. (...) Now books - here is an area where you might be able to get books by Pay TV. It is conceivable that you could have a book on the monitor and you could sample it. After all people don't read books, they sample them. They read three or four pages in any book and say, "Gee, it's great. Someday I'm going to read this book." Now, you can have that on Pay TV. You can have a quick sampling service on all the books that there are and it would be a heck of a lot better than anything they've got in the bookstores. (...) I would be very tempted to sample current movies on a 20 minute basis instead of having to watch them. I don't like paying \$3.50 to watch a movie for ten minutes. But ten minutes is enough. (...) Because very few of us want to see it all the way through. I don't do it by content. I study these things by structure and once I see what is being done, and how it's being structured and managed, I don't have to watch very far. (...)

How do you get your information?

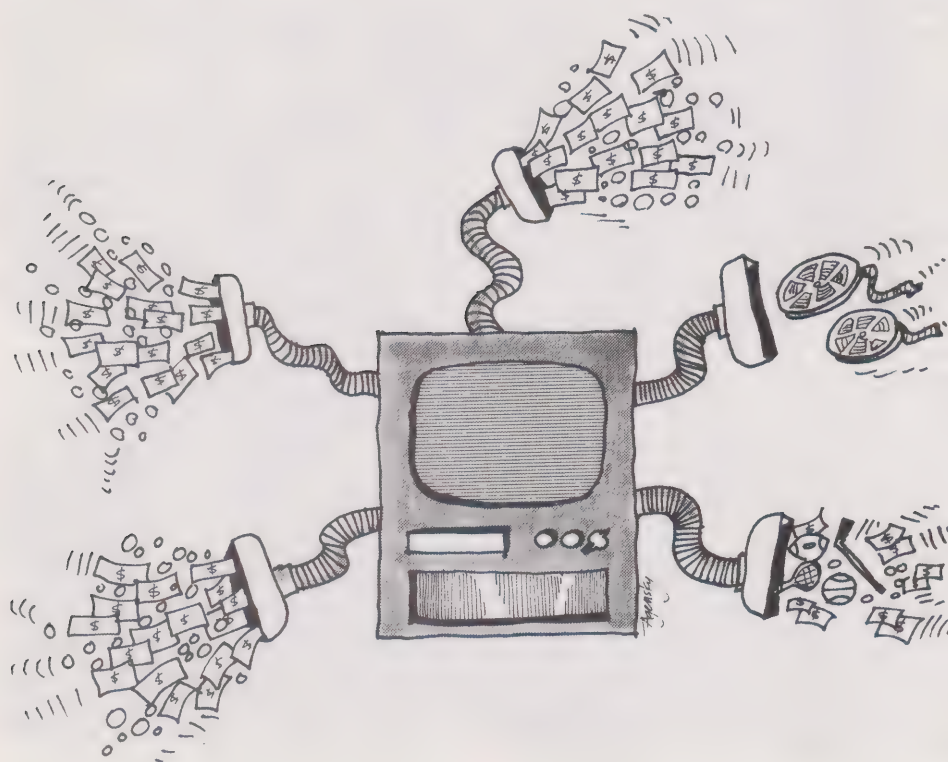
Mainly through friends who have had time to read the book. I read with a specific context in mind and that means I go through it very quickly. The only kind of book I can read for relaxing would be a detective story and I can only do that on airplanes. As long as I'm on the lam I don't get enough leisure to read anything. Once I'm in the air, no distractions, nobody can interrupt me. Thank heavens they don't have telephones on the planes yet, and nobody can get at you. (...)

How does that idea jibe with the description you have given us of young people as tribal?

They don't read. They are peer group people. They don't have any private identity or private interests. Only peer groups.

How is the tribe different from a nation?

Oh, a tribe does not have any objectives or goals. It is like a poem or a piece of music. It has its own way of just being in harmony togeth-



er. Nations have goals, objectives. They have perspectives, they see... they are visually oriented people. That's the big difference between the U.S. and Canada. The U.S. had goals. Of course they are dried up. The U.S. has no more goals, it's finished. Canada never had a goal because it has too much territory. There's no sense in which Canada can have goals... it's too big. (...)

How do you define culture?

I don't bother. We are culture. It's what you are and it means just about anything and everything, doesn't it? (...) I think the only way in which any country ever gets culture is by giving proper mythic treatment to its own vulgar activities. Hockey's a natural spontaneous world for us, or has been. It's obviously pretty well finished, thanks to jet planes and big promoters. But anything like that — football, or anything spontaneous enough, if you look at it intensively enough, will turn into a great big large myth. (...) Xerox, incidentally, should be very closely linked to Pay TV. It's a service that has a lot in common. Xerox thinks everybody's a publisher. Pay TV in a sense makes everybody a producer and it's really producer-oriented not consumer-oriented. (...)

Do you feel that there is anything that hasn't been covered on the question of Pay TV?

Oh yeh. There's lots that we haven't covered. It's a great big subject. You see, if you are talking about it as a figure you are missing all that it means to the existing realm because if you introduce a new figure it bumps against all the existing grounds in different ways. What will the effect of Pay TV be on the motor car? It will probably end the motor car. Why? Well, it takes a little time to figure it out, but the motor car is already being undermined by television because television brings the outside inside the home. The motor car is the supreme form of privacy. It's the only way Americans know how to be alone and if they are in trouble, they get in the car and they go out to be alone and think. Well now, television ends that. It brings the outside inside. You can't be alone anymore that way. (...)

Are there any ideas you have on the potential programming of Pay TV?

It ought to be mostly concerned with the creative process. With showing people how to learn, how



to study, how to do umpteen different things. How to do this, this and this; how to learn language; how to learn psychology; how to learn anthropology; everything. Not to swallow the package but to learn how to do it. It's entirely a kind of concern with process. (...)

Well, then you're really looking at it as a form of education?

It is. Alright, let's be quite clear about that. It will tend to be an educational service.

It's going to be a revolution for the school, of course. The entire educational system will come tumbling down under the impact of Pay TV.

But by that you can name anything...

Any kind of establishment is going to be undermined by a great new technology. Politically what will be the effect... It will be huge.

Just ask yourself what the political establishment is made of, how it at present depends upon TV services. It is almost entirely dependent on TV services. (...) Politics will be profoundly changed by Pay TV. Equal time will take on a new meaning.

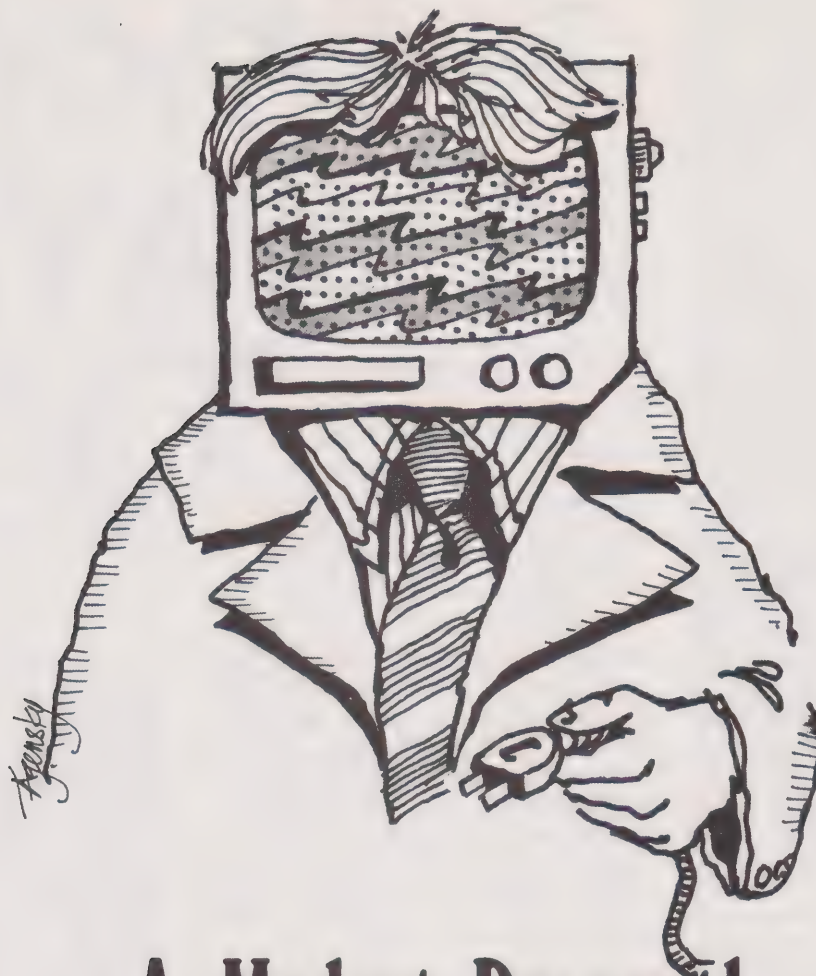
You could have instantaneous referendums on any subject. Instead of elections you have politics by referendum. No more policies, no more parties.

That would be a catastrophe.

Well, Neilson could do it for you for free. (...) Keep in mind that you are dealing with a new service which does not have very much to

do with anything that happened before. That is automatically decentralist. No centralizing possible under this condition anymore than a telephone is centralized. You can go and dial anybody, anywhere in the world. I think Pay TV should be put on that basis as soon as possible... you dial your program. It's quite easy to do. You can dial a book, you can dial anything. And this simultaneous or instantaneous access to a wide diversity is the character of the new pattern. So, all the older networking and stereotyping and Neilson research, and so on, is for the birds. As a matter of fact this goes down the drain. All the old demographics just go down the drain because the assumptions they were working on no longer hold. (...) To use my principle the figure-ground, you just name the figures you are dealing with in Pay TV, then name some other ground that it's going to bump up against. (...) That's the technique I use. Take any figure you're dealing with, see how it will bump into the grounds of other situations. This service will revolutionize all the main services of the community. It won't leave anything the way it was. Think of any ground... □

Marshall McLuhan has been on sabbatical from his post as Director of the Centre for Culture and Technology (University of Toronto). He is currently writing six books, including a high school students' guide to the media; and two articles to be published this fall are: "The Spaced-Out American" (in The Journal of Communication) and "Canada: The Borderline Case."



A Modest Proposal

by Peter Pearson

Jeanne Sauvé, Moses Znaimer, Susan Crean, Colin Watson, Pierre Juneau, David Perlmutter, Sandra Gauthiercole, Phil Lind and Harry Boyle all claim adherence to the same doctrine of Pay TV. Which, in itself, is enough to make one suspicious.

Harry Boyle said it best: "*It would be inexcusable to miss the opportunity to convert technical systems to a national purpose.*" And yet, none of the formulations yet devised, the CRTC's, the CCTA's, the CCFM's really seems to answer the needs of that puffed-up mandate. By hook or by crook, we seem determined, one more time, to place ourselves in a minority position, allowing foreign (read American) programming to fill the bulk of the Pay TV schedule, and provide the base of financing for Canadian production. It is just not good enough.

Without putting too fine a point on it, Pay TV has the potential to be the most lucrative delivery system of visual materials yet devised. And as such, it is probable that within the next ten years, it will make a serious dent in commercial film exhibition and distribution, commercial television, and even live performances. Within twenty years, it will probably wipe out all but

the vestigial remains of commercial film and television structures as we presently know them.

Most thinking about Pay TV has been restricted to the immediate future. And most thinking has been based on the American model, the only archetype in operation. As a result, Canada risks, once again, the danger of buying, holus bolus, a delivery system totally unsuited to its needs, cultural or economic; detrimental to its expression, and thoroughly menacing in its power and penetration. It risks repeating the egregious errors of our past, and enshrining the package of compromise in a bureaucracy of unfathomable dimensions. The same old wooden pennies are hitting the floor: Canadian content; private vs. public enterprise; network licensing vs. regional control. Canadians have a flair for the complicated. It's the blood of the technician reappearing. Unfortunately, if we make the wrong decisions this time, we may not have a reprieve, because Pay TV will carry us well into the twenty-first century.

Consider for a moment some of the possibilities. Consider not one Pay TV channel, but ten, twenty, even six hundred. (In St. Hubert, Quebec, an experimental program is already offering 2000 titles on eight separate channels.) Consider not a subscription basis of so much per month, but a pay per programming charge. (In Columbus, Ohio, there's a successful pay-per-programme

Peter Pearson, filmmaker, is the former head of the Directors' Guild of Canada and the Council of Canadian Filmmakers.

system.) Consider not the rinky-dink 21" screen, but the three foot, the five foot... whatever size screen you wish. A wall screen is nothing compared to the 30 x 60ft. TV screen in the Olympic Stadium. Consider the capacity of a television box to retrieve almost any film or television programme upon demand.

Most of the technology for such systems is upon us. The audience is ready, and the market affluent. Unfortunately the technology is more prepared than those it would serve. As I said at the beginning, given the high-minded purpose, we have yet to develop a corresponding intelligence vis a vis Pay TV. We seem to be plunging headlong into a system that we have known for years to be unworkable: one more network operation controlling the programming; predominantly foreign material; centralized control.

I would like to propose an alternative.

First: **All programming should be 100% Canadian.** We should take all those high-minded regulators, businessmen and producers at their word. If indeed Pay TV is as important as they say, why not? We have for years been pointing out the suffocating control American interests have over our distribution and exhibition film industry; we have lamented the dumping practices that have debilitated our television. Why not, given the high expectations for Pay TV, turn the system over to exclusive Canadian production?

Second: **The network should be only a common carrier.** It should be treated like the telephone, telecommunications, etc., with no power to originate, finance or involve itself in any way in programming, production or scheduling decisions.

Third: **Pay per programming** should be the only revenue generating system. Thus a producer would be responsible for finding independent financing for his programme, would rent the network when he wanted it, and would then collect ALL revenues after the costs of transmission were paid. The production would then be his to market elsewhere: in theatres abroad, to commercial television or in 16mm.

These three premises: 100% Canadian; Network as a common carrier; Pay per programming, would then begin to fill the mandate we have all set out for ourselves.

1. First of all, responsibility for the success or failure of the system would rest squarely on the shoulders of Canadian producers. They would be responsible, from the initial conception of their production to the final transmission, for all aspects. There would be no more exhibitors, distributors, bookers, network executives, programme supervisors, CRTC regulators, or even possibly censors. The producer would have direct access to his market, all of Canada, whether he were transmitting live, on tape or on film. He would have the right to determine the per-home charge for his production. Whether five dollars for an expensive special, or 25 cents for a re-run of famous Canadian silent films. He would be responsible for the marketing, advertising, promotion and publicity of the film before it went on air... and would receive his revenues according to his box office gross.

2. There are about 1100 hours of prime time on a channel in one year, and the question has been raised as to whether we have the capacity within Canada to fill it. The initial response of producers seems to be positive. Think for a moment of the live broadcasts: rock shows, concerts, plays, sports events, that would be only too happy to plug into a revenue-earning system; think of producers like Anne Murray and Gordon Lightfoot who

don't do commercial television because they cannot control all aspects of production. Then think of the tape possibilities, the film possibilities and one starts to sketch out an impressive programming possibility. If in fact the schedule is not full, then let the network go to black. This is not commercial television, nor is wall-to-wall programming mandatory within the system. If the channel is overflowing, there always exists the possibility of a second channel, a third, or whatever.

3. The hardware and installation should not be too complicated. Canada has abundant expertise on network distribution. Whether the common carrier is microwave, satellite or direct broadcasting must be decided by those with sufficient expertise. The home-by-home delivery again seems a simple problem. Cable systems could deliver the Pay TV signal, install the collection box and then return the revenue to the network for a fee, the cost being about a dollar per home per month. Most of this technology is now computerized, and the only initial cost would be the charge box. Thus the subscriber could plug into the system for, say, a dollar a month, twelve dollars a year. Any spending after that would be discretionary.

4. The coaxial cable has the capacity to distribute not only visual transmissions, be they live, videotape or film, but also printed information; the coaxial cable has an information retrieval capacity: so that anything from stock market quotations to the price of steak can be sought. And once a retrieval system is set up and fully installed, the whole nature of programming will have changed. No longer will there be a limited number of networks offering you their choice of programming for the evening, but you will choose your material. Nothing more complicated, really, than dialing a telephone and choosing whom you wish to speak with.

And then at that point, CRTC, with all the best intentions in the world – Canadian content and all – will be but one more obsolete regulatory agency, with little to regulate. That is still very far down the road. But the decisions taken within the next year will point us irrevocably towards a destiny in film and television production. And if we mistake our priorities at this point, it will be next to impossible to retrieve them in the next generation.

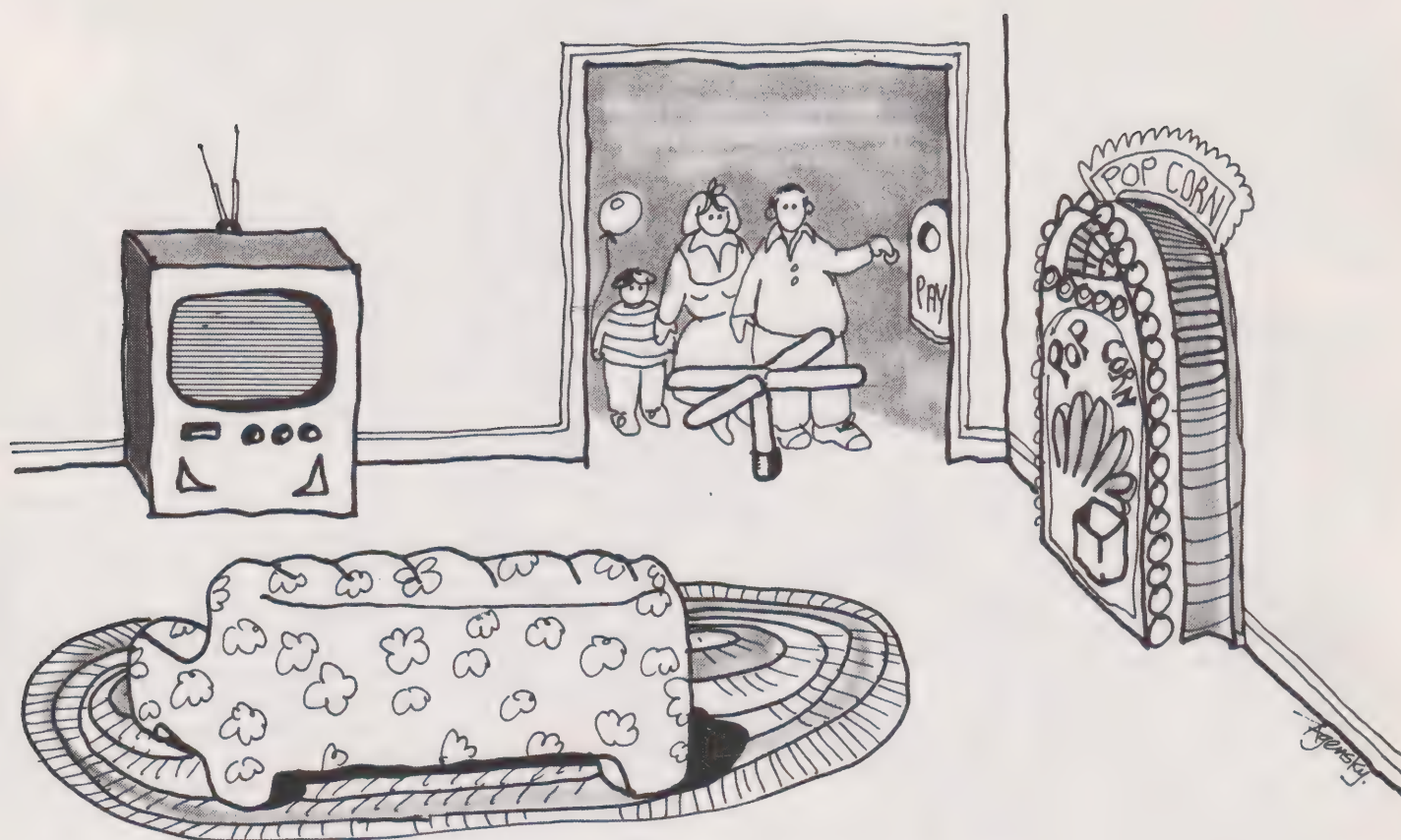
Conclusions

Pay television raises profound questions which have scarcely been touched in the thinking of those who would decide, administer and invest in such a system. At this point in our history, we can surely do better than to give lip-service to Canadian aspirations and then turn around and make Pay TV but one more conduit for foreign production interests.

Thus, 100% Canadian should be the least one could expect. Moreover, producers have little need for paternalistic network structures to guide and determine broadcasting choices. But if they are to succeed or fail, they must do it on terms that will allow them to gain the profit of their work. They must reap returns commensurate with their audiences. Despite ourselves, Canadian producers are big boys and girls, capable of wiping their own noses.

In the months ahead, what we can hope for from the CRTC and its chairman as they formulate their decisions is a degree of vision. We surely must have enough confidence in ourselves and our capacity, not to repeat the failings of our broadcast history.

If as we enter this debate we understand our own priorities, perhaps we can then reach our own objectives. The American model has failed us. This time we need our own. □



Hotel Pay TV

by Philip B. Lind

Hotel Pay TV has excited many an entrepreneur. For the past few years, there have been many experiments throughout North America, most of them rather disillusioning.

Columbia Pictures, in partnership with Bill Butters, sponsored the most ambitious attempt. Their company, Trans World Communications, wired hotels in 8 cities in the U.S. and Canada. After two years, Columbia called it quits, writing off a debt of over 12 million dollars.

Time Inc., another giant, acquired TWC, as it was called. Time had earlier acquired a company called Computer Television Inc., a hotel Pay TV venture started by Paul Klein, a network programming whiz. Time Inc. put TWC and CTI together, stayed with the experiment a few years and then decided to sell to a group in Texas called Spectradyn. It is presumed that Time, also, walked away from a sizable loss, although not on the scale of Columbia's.

Philip Lind is a director of TWC Television Ltd. He is also vice-president, programming, for Rogers Radio Broadcasting Ltd. and is currently chairman of the Canadian Cable Television Association.

In Canada, there are two major Pay TV ventures. One called Pre-Vue operates in Vancouver. Established in 1976 by Premier Cablevision, it is only now establishing itself in a large way. The other Canadian operation is TWC Television Limited. This company was purchased from Time Inc. by Rogers Cable Communications in 1974 and had 6,000 hotel rooms. It has now close to 10,000 rooms and expects to have in excess of 12,500 before calendar 1977.

There were several reasons for the purchase of this system but perhaps the most important was the natural synergy that exists between a cable license and a total Pay TV operation. Pay TV requires a lot of attention to technical details and high-quality transmission, 24-hour service and a good billing system, and a cable system is able to provide these. The other reason for the purchase was that the Rogers group was, frankly, anxious to become immersed in Pay TV and the hotel format would provide good insights. Finally, of course, it was thought that the system would become profitable, especially if the number of rooms could be increased.

Time has shown that all the reasons have been valid, except for the last one. TWC Television Limited still

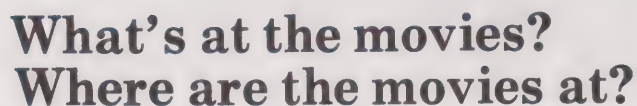
We have learned many things about Pay TV. For one thing, customers insist on the best technical quality. TWC had to completely revamp the previous playback system at a cost of \$200,000. TWC had to revamp all the program selection boxes at a cost of \$100,000. And because it is a pay-per-view system, a good telephone traffic system had to be established. Viewing is very much on a demand basis — big peaks and valleys. And most important, programming was recognized as a critical determinant to sales.

This is not to say that a certain amount of social engineering isn't permitted; in fact, it's almost a prerequi-

Also, since there are at least two choices on the system all the time, we counter-program family pictures so as to allow a choice. This is particularly important during the summer months.

The keys to a successful operation lie in providing (1) programming that sells, (2) good technical quality, (3) good security on the system and (4) good volume and keeping the costs down.

The fact that the last factor operates in opposition to the first few gives a tangible reason why there are still problems in Pay TV land. $\square$



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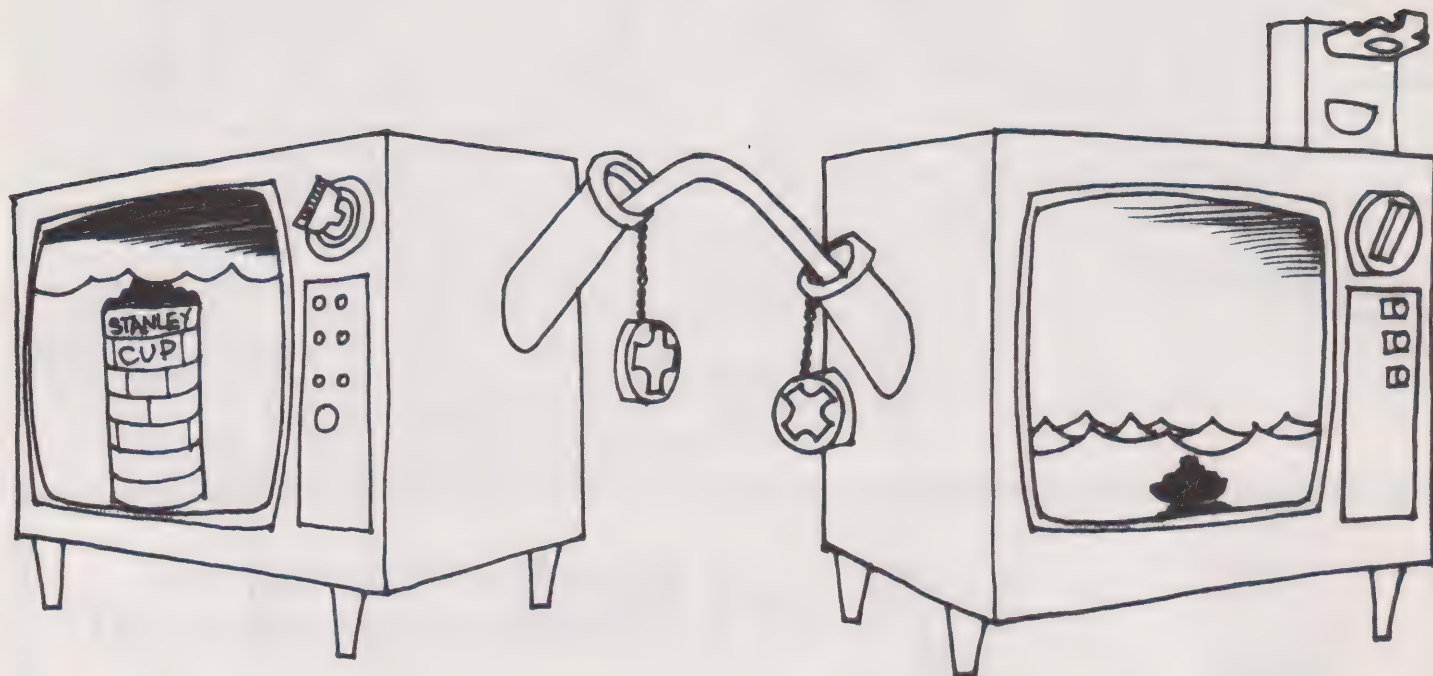
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The Public Interest

by Douglas Baer



The Canadian Broadcasting League is a national organization which, since 1930, has represented the interests of the viewing (or listening) audience – the “consumer”, in a manner of speaking, of Canadian broadcast programming. The concern of the League has been, and continues to be, the impact on audiences of developments in the field of Canadian broadcasting. For that reason the CBL views as crucial the current discussions on proposed development of pay television in Canada.

The League's position with respect to pay television was first outlined in a brief presented to the Canadian Radio-Television Commission at the public hearings on cable television in June of 1975. Consumer access to diversified, high-quality sources of entertainment and information ranked high in the CBL's priorities. The continued availability and improvement of broadcast services currently available free was also emphasized. “While it is useful to begin public examination of the potential of pay television,” the brief stated, “it is

essential that the Commission consider the full weight of its impact on Canadian broadcasting and on Canadian audiences before establishment of this service is generally promoted.”

To be sure, pay television, if developed and regulated with care, has the potential not only to expand the Canadian programming potential of the broadcasting system, but also to improve the quality of service available both in total and with respect to traditional off-air (free) broadcast services. There must, however, be guarantees that these objectives will be met, and that programming presently available without charge will not eventually become available only through the payment of a pay television fee. To quote once again the League's brief to the CRTC:

“The League wishes to express the concern of its members for the eventual impact which the development of pay television may have on the programming choices presently offered to Canadians through conventional services. We see no guarantee – nor any possibility that the Commission could guarantee – that popular programs (such as Hockey Night in Canada whose programme rights are owned by MacLaren Advertising) would not eventually be siphoned off by the lure of increased

Doug Baer is Chief Researcher on Pay TV for the Canadian Broadcasting League.

profits to be made from Pay Television. Despite the Commission's intention to protect audiences from such programme loss, it is only logical to suggest that, over time, those programmes which have the largest audiences will be bought by Pay Television to increase its own profit potential."

The League is also concerned about the general financial impact of Pay Television on the viewing public. While there have been proposals concerning the possibility of over-the-air ("STV") transmission of Pay-TV signals, much of the discussion to date has involved the use of cable television systems. Currently, the average cable fee in Canada amounts to approximately \$72 per annum. Converter rental averages another \$3 per month, or \$36 per year. Adding the charge for Pay Television—current estimates seem to fix this rate somewhere between \$8 and \$10 per month—the amount of money a subscriber could end up paying for one year of service would total at least \$204, exclusive of charges for installation of services.

In addition, the problem of disparities in services must also be addressed. It appears possible that Pay Television may be available only for large Canadian communities such as Toronto, Vancouver, or Montreal. These areas, however, already have a multiplicity of programming services (Toronto already receives 12 off-air signals). To add another "prestige service" for these communities may exacerbate the problem of the disparities felt by viewers in other communities across Canada.

Much of this is, to be sure, a problem of the distribution system technology employed to make Pay Television available; it is conceivable, for example, that a

satellite transmission system could make Pay Television available virtually nation-wide. But the higher costs incurred by the use of satellite technology may limit its application in the initial stages of Pay-TV development.

In more general terms, the question of the role of Pay Television in the general "balance" of programming inputs—the relationship between private and public, the relationship between local and national programming—requires further examination. It also has implications in terms of the support the system provides for Canadian filmmakers and producers; the League is concerned that the structure of broadcasting services in Canada be such that the use of Canadian creative resources is maximized.

With these areas of interest, the CBL is undertaking research on various proposals and concepts in an attempt to provide a reasoned "public interest" argument to government policy makers. The League has also employed its resources to organize a conference entitled "**The Crisis in Canadian Broadcasting**" to be held in Halifax on August 10-12, 1976, with both the question of "roles and responsibilities" in Canadian broadcasting and that of the development of Pay Television in particular being major topics. In addition, a continuing information service is available for the use of the public at the League's offices in Ottawa (Box 1504, Ottawa, Ont.).

If Pay Television is to develop in Canada, its development must incorporate guarantees that the public interest criteria outlined above are not ignored. Otherwise, the problems created by its existence may take years to solve, if indeed it will be possible to solve them at all. □

Position Paper on Pay Television (CRTC)

Major Concerns (excerpt)

In the opinion of the Commission, consideration must be given to the impact of pay television services in the following major areas:

- (a) **Fragmentation**—the introduction of pay television threatens a further fragmentation of the audiences on which Canadian television stations depend.
- (b) **Position of the Canadian broadcasting and program production industries**—the indiscriminate importation and use of U.S. and other foreign program material could further inhibit the growth of these industries.
- (c) **"Siphoning"**—pay television could convert program services available on over-the-air television into premium services available only on payment of a fee.

On the subject of fragmentation, the Commission reiterates its continuing primary concern that the development of technology, and of the programming choices technology is able to provide, not be permitted to overwhelm the off-air broadcasting system in this country. It may be that some fragmentation of audience must be accepted as the overall system develops. But the Commission would wish to assure itself that this be as limited as possible.

With regard to the effect on the Canadian broadcasting and program production industries, there seems little reason to permit the introduction of pay television if it is allowed to develop in the same manner as the motion picture industry in Canada. Foreign interests acquired a virtual monopoly over both exhibition and distribution thus gaining control over the financial resources needed for production. It is still sometimes difficult for Canadian producers to obtain exhibition opportunities in Canadian movie houses. Pay television must not be permitted to follow this course. Instead, it must be used as a vehicle to further the production and exhibition of Canadian material.

On the other hand, the Commission recognizes that because pay television is still new and largely untested, an opportunity must be given to experiment with new ideas and approaches. In this context, at least in the initial stages of pay television, foreign-produced material may be necessary for its success. This material might take the form of feature motion pictures shown in their entirety without commercial interruption. A balance must clearly be established between the use of Canadian and the use of foreign-produced material as well as the allocation of funds for purchase and production.

The Facts of Television in the Seventies

by A.W. Johnson

(...)

What are the facts of television in the 1970s? The most impelling one is that only 1/3 of the TV viewing time of English Canadians is spent watching Canadian programmes. And much of that viewing time falls into the two categories of sports and information programming. The rest of the time English Canadians spend in front of their sets – and this is how they spend 50 percent of their leisure time – is largely spent watching U.S. situation comedies, police dramas, variety shows, family dramas, movies, and the rest.

Two thirds of the viewing time of English Canadians watching American programmes! Think of it! Think of the impact on Canadian minds – particularly the younger and more impressionable ones – of all these perceptions and perspectives and attitudes flooding in on them from the United States!

The story in French Canada is different, of course, by reason of the language barrier. But even here, one finds that an average of 18 percent of the programming on all French-language television is American in origin (dubbed) and that the average is considerably higher than this on many non-CBC French-language stations. Indeed, according to a recent Gallup poll, 46 percent of Quebecers – of whom four to one are French-speaking – believe that the Americans make the best programmes.

This is the situation facing Canadian television today. And it is not in any way alleviated by the fact that Canadian programme producers are able to spend less than one third of the money American TV producers spend to produce one hour of television. Talk about competition!

The “So What” School of Thought

What are we to do about it – about this immersion of Canadians in U.S. television programmes? There are some of course – the “so what” school of thought – who respond by saying: “Look, we might as well face facts. The truth is that we – Canadians – are a part of North American society, and we are coming, and will inevitably come to share a common set of values and

attitudes and perceptions with the Americans. Over time, indeed even our traditions and institutions and history will tend to become homogenized with American traditions and institutions and history.” Like a jar of peanut butter!

Some say this with resignation, some with regret – some, I am afraid, with indifference. But it matters not by what route one reaches this school of thought: it means, in the final analysis, giving up on Canada. Such is the power of communications to shape our minds.

(...)

The Broadcasting Industry

Look at the industry. Two national networks serving 16 million English-speaking Canadians, and two serving six million French-speaking Canadians – directly and/or through privately-owned affiliated stations. One other privately owned network serving a large part of Ontario’s seven or eight million people – half of Canada’s English-speaking Canadians. Five privately-owned metropolitan stations independent of the networks. Two provincial broadcasting systems owned by provincial governments, and the possibility of more wanting to enter the field. And we – 23 million people – think we can afford all of this, compared with the four American networks in a country of 214 million people?

But that’s not all. We now are in direct competition with these four American networks. Fifty percent of all Canadians are now able to receive directly, by way of licensed cable companies, anywhere from two to four of the U.S. networks. And the number is growing year by year. On top of this pay-TV is seeking to make inroads into our major cities, and the technological developments of the future promise to make the situation more, not less difficult.

(...)

The goal I would advance is this – and it applies to television only: **that we as an industry should so improve Canadian programmes, should make them so worthy of being scheduled in prime time, that at least 50 percent of the viewing time of English Canadians would come to be spent watching Canadian programmes.** French Canadians, I need hardly say, have already exceeded that target.

(...)

A.W. Johnson is president of the Canadian Broadcasting Corporation

But the real problem is to be found in the system as a whole: if it is excessively fragmented or compartmentalized then we can be sure that there will be a greater drain from programme production than any individual broadcaster could possibly be guilty of.

Take the cable part of the broadcasting industry, for example. It collects a significant part of the revenues which accrue from television broadcasting, largely in the form of cable fees. But what part of these revenues flows back to the producers of Canadian programmes? It is all very well to argue about the U.S.-Canadian cable war – and we can't today because the issue is before the courts – but surely there is a general principle to be considered. It is this: what part of the revenues of an industry which generally distributes but does not produce television programmes should be allocated to the producers of Canadian programmes?

If cable television is a part of the broadcasting system, as surely it is, then surely the system as a whole should be as concerned about the allocation of cable revenues to the production of Canadian programmes just as it is about the allocation of commercial revenues to this purpose?

The same question will surely arise if Pay-TV is extended in our metropolitan centres. Are we going to pretend, as we have tended to do with cable, that this is not a part of the broadcasting industry, and that it ought not, therefore, be expected to contribute to Canadian programming? Surely not.

Surely we will listen to the common sense of the common Canadian and say "I know television when I see it: it is what's on my television screen." And if it's there, and if it's being paid for – in one way or another – then the revenues should be allocated so far as it is possible to do so to Canadian programme production. That is, if we want to remain Canadians.

And what about the off-air broadcasters, and their use of commercial revenues to produce Canadian programmes? They are the broadcasters who are doing this – are using a significant part of their revenues to produce Canadian programmes. But every time their revenues are fragmented by the licensing of a new network, or a new independent station, their revenue capacity is affected. And in a country our size that capacity is not that great. I am driven to ask whether we haven't reached the point now where there are enough commercial stations to take care of the demand for commercial time? The principle, in any event, is clear: we haven't enough money now to produce programmes which will compete adequately with the American ones, and if we try to spread it around any more we will fare even worse.

But I mustn't transgress on the authority of others – though how anything I might say could come as a surprise to CRTC Chairman Harry Boyle, I do not know. As a public servant emeritus, however, I well understand the cardinal rule of government bureaucracy: never stray into another man's pasture – or onto his turf, or whatever figure of speech you want to use. So I must stop.

Are the rules of bureaucracy as bad in broadcasting, by the way? If they are, I am surely already in deep, deep trouble.

That being the case – if it is – I may as well advance my fourth proposition as to how we might in the future work towards the goal of more Canadian viewing of Canadian programming.

It is this: let us recognize in our scheduling of Canadian and American programmes the objective of maximizing Canadian viewing of Canadian programmes.

Now I know – at least I think I know – how tough this is. The brutal and paradoxical fact is that, outside

of Parliamentary appropriations, the CBC and private broadcasters alike use the commercial revenues they get from showing U.S. programmes to pay for the production of Canadian ones. We show U.S. programmes to pay for Canadian programmes. And if we want to maximize this income we show the U.S. programmes in the prime time – when most Canadians will watch them, and commercial revenues will be the highest!

How in the face of this conundrum – this vicious circle – are we to achieve the goal of 50% Canadian viewing of Canadian programmes? If we show Canadian programmes when more Canadians will watch them, because of the time they're shown, our commercial revenues will decline (it being more lucrative to sell commercials for the widely watched U.S. programmes). This means less money to produce the higher-quality Canadian programmes needed to draw larger audiences.

Obviously the only way out of this vicious circle is enough money outside of commercial revenues to produce Canadian programmes that are so good that they will attract as many Canadian viewers, and then as much commercial revenue, as the American programmes.

But short of this millenium – the millenium of bountiful resources – what are we to do? There are some directions we can pursue obviously. We can all of us try to schedule more Canadian programmes in the prime time, knowing that if we both do this the losses in commercials will be less than would otherwise be the case. But losses there would be, there is no doubt of that. We can all of us insist that the commercial revenues we earn from the U.S. programmes we *do* buy and show, should not be diminished by cable companies being able to show the same programmes at other times. We should try to avoid the worst excesses of scheduling the biggest-drawing U.S. programmes against good Canadian ones. We should continue to avoid scheduling "like against like" in our Canadian programming – showing, for example, *Fifth Estate* at the same time as *W-5*, or the *Watson Report* at the same time as *Maclear*.

Above all we – as Canadians – should avoid further increases in the number of U.S. programmes on Canadian screens – either avoid it altogether, or, as in the case of Pay-TV, do so only at a price, and in a way, which will greatly increase funds available for producing Canadian programmes. To accomplish this will require great ingenuity and great dedication – but surely we have no choice?

Let me conclude by observing that it is all too easy to sound chauvinistic, even parochial, when talking about Canadian broadcasting. But what else is Canadian broadcasting all about? We could easily fill our air waves entirely with American programmes, except for Canadian news, and with French-language programmes from abroad, except for the Canadian programming required to fill the scheduled TV time.

But we consciously chose not to do that a long time ago. We consciously decided that we wanted Canadian radio and we wanted Canadian television, because we knew we wanted to remain Canadian, and we knew the power of these two media. Yet somehow, in the jungle of technology and step by step changes and imperfectly perceived trends, we seem to have lost our way.

The only way we can find it again, at least so it seems to me, is by setting ourselves the grand goal we set in 1936. It may seem impossibly idealistic, incapable of achievement, but it is better surely than a series of small and halting steps towards some unknown – and uninspired – goal. □

Excerpts of a speech to the Canadian Association of Broadcasters in Ottawa, April 26, 1976.

Two American Experiences

A) Telemation Program Services by Robert Wiesberg

Robert Wiesberg is President of Telemation Program Services Inc. in New York.

Telemation Program Services (TPS) acts as a purchasing agent or a film buyer for more than 70 CATV and pay TV systems throughout the U.S., servicing systems that encompass over 235,000 pay TV subscribers in New York City and Los Angeles. TPS acts on behalf of the local cable operator, purchasing the feature films and other programming that he uses on his pay TV system. Our service handles what we call a stand-alone concept, in which the local cable operator utilizes 1/4-inch cassettes, to play his choice of programming as a pay TV service. The number of subscribers now plugged in to such systems totals over 270,000.

There are many markets, large and small, that are served by this stand-alone system, for three prime reasons. One, it allows the system operator to customize the programming for his market. Two, it allows for flexibility in scheduling the number of programs to be shown per month, the number of showings, the style of showing for his particular market. It also allows the systems operator to maximize profits.

First, let me give you some specifics. Our company represents two systems in Georgia. One is Macon and the other is Rome. They are perhaps 80 miles away from each other. The one system has many black people who subscribe to the service and the other system has hardly any. So the first system plays two black-oriented films per month and the other service has no black films on any basis during its program schedule.

In the Bible Belt in the southern part of the US we are very careful about language and programming. I should say that in terms of customer tastes, it's not the visual, it's the language problem. Profanity is a much greater problem for us than any video problem. So, in the Bible Belt, the films are screened carefully before they go on the air. In a college town such as Santa Bar-

bara, where Mr. Greenstadt's Optical Systems has a pay TV system, they will tend to use art films, and cultural types of programs. These are typical examples of what you can do to customize programs in terms of the stand-alone concept.

Number two, flexibility of programming. Let me outline four schedules which you might see in the US today. One more typical system plays six to eight feature films per month plus other programming meaning cultural programs, children's programs, art films, sport programming. Each film plays twice a day and new films come in each month with some repeats three months after the first showing of the film. We have recently developed two other types of program schedules which I think you will find interesting. Two, in San Jose, California, the operator of a system which has 55,000 subscribers decided to institute a "must-buy" pay TV service in anticipation of a second service which will come about in 1977. The system operator charged \$2 per month to each subscriber and he offered each subscriber two movies a month. In essence, it amounted to a rate increase of about \$2 per month. And so everyone in the community receives two movies per month for the \$2. Three, in Lansing, Michigan (a small market), a system which was just opening up decided to go with four movies per month at \$3. This has been extraordinarily successful, as over 83% of new subscribers are buying the service for the basic rate of \$6.95 plus \$3.00 for a total of \$9.95.

A new system will be working soon with an operator who has 40,000 subscribers in a three-channel service. The first channel will be the standard service with eight movies per month, consisting of G (general family audience) plus PG (parental guidance requested) and R (restricted) movies. The second channel will be a family channel with four movies per month in the G and PG categories. The third channel will have restricted movies only, for adults. The first channel will be charged at \$9.95, and each of the second and third channels will cost \$5.95 per month.

TPS also serves Columbus, Ohio, with a pay-per-view system which audits the people who view each movie. As the person turns on the TV set, the computer at the head end of the two-way system records it and, if he views it for longer than 10 minutes, he is charged at the end of each month. I would say that subscription television

will allow your audience to see a wider variety of programming than the pay-per-view. The reason is simply that if people have the choice they will tend towards the big action-packed type of film which you normally see on the screen and the numbers will run in accordance with the theatrical grosses. A film such as *Swept Away* will not be viewed on the pay-per-view system, but on the subscription service the person gets it, in a sense, "free". So that, if the intent is to see all kinds of films, I would urge a subscription service.

Let me just run through some of the concerns about stand-alone. Cassettes have improved dramatically over the past six months.

Exploration and marketing and promotion can be handled locally by the system, and program schedules are easy to put together. Other programming such as children's programming, tennis, golf, operas, music, can be provided as a local service. So, the so-called stand-alone service encompasses a philosophy which says no to a bushel-basket approach to programming. We like to focus in on the needs and desires of the local community. We customize programming for the market. We include local sports where available as opposed to national sports. And we believe that this method will bring more profit to the local operator as well as more service for your subscribers.

B) TelePrompter Corporation by Russel Karp

Russell Karp is president of TelePrompter Corporation in New York

At TelePrompter we first introduced pay cable, with the help of Telemation Services, through our Theta system in Los Angeles in April 1974. By the end of 1975, we saw three major results: Forty-six percent of Theta's basic subscribers had also subscribed to pay cable. The number of basic subscribers in our Los Angeles system had climbed from 57,000 (representing 27% of all homes behind cable) to 78,000 (representing 31% of homes behind cable). Finally, Theta's 1974 operating deficit (that's before depreciation and amortization, interest and equipment lease expense) had improved in one year by almost \$3,000,000.

In the two years following our introduction of pay cable, we have extended it to systems from coast to coast and from Canada to Mexico. These systems today serve approximately 600,000 basic subscribers, of whom to date roughly 20% have signed up for pay cable. Except in Los Angeles,

all our pay cable programming is supplied by Time Inc.'s Home Box Office. At TelePrompter, we chose HBO because it was the best available for our needs. Its entertainment 'mix' was found to be ideally suited to our potential subscribers, whose preferences range from North American League soccer to Wimbledon tennis, from "Pinocchio" to "Les Folies Bergère", from *Rollerball* to *Gone With the Wind* and Louis Malle's *Thief of Paris*. Another big plus from our point of view was the availability of satellite transmission.

The agreement we signed with HBO last year will enable us to provide pay-cable programming in virtually all of our systems, partly by microwave relay, but mostly by satellite. We now have 20 satellite receiving stations built and operating; in a short time we plan to erect eight more.

Clearly, the time for pay cable has come. The American public wants and needs it. The reasons should be obvious: Broadcast television is dependent on advertiser revenues and accordingly must cater to the mass audience geared to advertisers' needs. Technical limitations on the number of available broadcast frequencies compound their problem. The viewer consequently finds the same tiresome fare on all commercial channels, no matter how energetically he turns the dial. If the broadcasters and the regulators give it a chance, pay cable will be able to offer new kinds of programming. Indeed, I have already urged a number of my friends in the business to develop three new categories of programming, each requiring a channel of its own: (1) A family channel, offering films of the Walt Disney type, along with educational programs free of commercials. (2) A drama channel — drawing on Broadway and also on regional theatres all over North America, taking the best of each; ballet, operas and concerts as well as drama. (In Canada this and other pay cable channels could be bilingual or there could be separate channels in English and French.) (3) A news and public affairs channel programmed by leading publications — perhaps *The New York Times* and *The Wall Street Journal*. General and financial news would be reported in depth — a welcome change from the superficial reporting encountered on commercial television.

The primary function of pay cable is to offer a greater variety of programming. This the broadcasters have failed to do, whenever the programming seemed incompatible with their mass orientation. Pay cable can fill in the niches and the gaps; it can program for age and ethnic groups now overlooked because they do not correspond to the demographics desired by the broadcasters and their advertiser-supporters. It will not compete head on with commercial television. Nor will pay cable dry up or restrict the supply of programming available to commercial broadcasters. Rather, it will select the best among the many excellent programs rejected by the broadcasters. If it is allowed to develop, it will create a source of fresh new programming that will be available to all media.

Excerpts from speeches to the CCTA Conference in Toronto on June 2, 1976

Glossary of Selected Terms

ADDRESSABLE TAP: Cable house drop that can be turned on and off at head end.

BICYCLING: Procedure whereby distribution companies are responsible for the reception of programs on tape cassettes from previous users, and for forwarding them to the next user.

CATV: Community Antenna Television, a system using an arrangement of coaxial cable and electronic equipment which permits subscribers to receive television broadcast signals, several of which may not be received by other means. Similarly FM and AM radio broadcast signals are also provided. The concept involves the community sharing of a TV receiving antenna(s) located at an appropriate receiving location.

CCTV: Closed Circuit Television, systems commonly referred to as closed because no outside television broadcast signals enter it, nor are the CCTV system signals broadcast to the general public.

COAXIAL CABLE (TRANSMISSION LINE): A transmission line in which one conductor completely surrounds the other, the two being coaxial and separated by an insulating material. Such lines are characterized by having no external fields and by having no susceptibility to external fields from other sources.

COMMON CARRIER: Telecommunications bearer or network; someone licensed to carry messages but having no control on the messages themselves.

CONVERTER: An electronic processing device similar to those used at the head end but having multiple channel selection characteristics, permitting the CATV operator to expand the channel capacity of the system.

DIRECT BROADCAST SATELLITE: A satellite which beams signals directly to the user (home or cable operator) without sending them first to an earth station.

DISTRIBUTION SYSTEM: The part of a CATV system used to carry signals from the head end to subscribers' receivers. Often applied, more narrowly, to the part of a CATV system starting at the bridger amplifiers.

EARTH STATION: Receiving station for signals transmitted via satellite. (A receiving - only station costs approx. \$75,000.)

FRAGMENTATION: The redistribution of viewing patterns in a television

market by the introduction of new viewer choices.

HEAD END: The electronic equipment located at the start of a cable system usually including antennas, preamplifiers, frequency converters, demodulators, modulators and related equipment.

HOUSE DROP: In a CATV system the coaxial cable from the line tap to the subscribers' TV set.

INTERCONNECTION: The combining of two or more cable systems by microwave link for a common feed.

MAIN TRUNK: In a CATV system, this is the major link from the head end to a community or connecting communities.

MATV: Master Antenna Television, a system which performs the same function as CATV, the basic difference being that a MATV system serves a smaller number of subscribers within the confines of an apartment house, condominium complex or similar urban dwelling units. These systems also depend on television receiving antennas located on the roof-tops of the buildings to be served.

MDS: Multipoint Distribution Service.

MICROWAVE: Transmissions through the air of high-quality signals at a very high frequency. Microwave transmissions are line-of-sight transmissions which can extend only 30-50 miles.

MICROWAVE DISH: Parabolic receiving antenna for microwave systems.

MICROWAVE REPEATER STATION: Stations which receive, amplify (strengthen) and retransmit microwave signals another 30-50 miles. In a microwave system, signals are transmitted in 30 mile "hops" relevant to the curvature of the earth.

MSO or MOS: Multiple Systems Operator.

MULTIPLEX: In communications multiplexing is the interweaving or simultaneous transmission of two or more messages on a single channel.

OFF-AIR: Television available via antenna and without cable.

OPTICAL FIBRE: Glass fibre used for transmission of signals by light.

NEGATIVE OPTION MARKETING: Marketing of pay TV service by cable operators where the consumer must choose **not** to receive the service otherwise he or she receives it automatically.

PAY CABLE: An extra service offered to cable subscribers, over and above the basic cable service for which they pay an additional fee.

PER CHANNEL SERVICE: Pay TV provided for a flat monthly fee which allows subscribers to see all programs on a special channel.

PER-PROGRAM SERVICE: Pay TV purchased on a per-program basis.

SEQUENTIAL DISTRIBUTION: The concept of commercial film distribution through four separate steps - theatre, Pay TV, commercial network television and syndicated television.

SIPHONING: The diverting of programming normally delivered by commercial television to Pay TV.

STANDALONE: Program origination from the head end of a CATV system rather than through microwave or satellite feed.

STV: Broadcast Pay TV, known as subscription television, where a scrambled signal is broadcast throughout the market and subscribers are supplied with a set-top decoder which allows them to receive STV programs.

TRAP: An electronic filter or trap placed on each householder's drop line to block the signal transmitting Pay TV programming. The signal can be received only if the trap is removed by the cable company.

TELECOMMUNICATIONS: The transmission of information from one point to another. Legal (ITU): Any transmission, emission or reception of signs, signals, writing, images and sounds or intelligence of any nature by wire, radio, visual or other electromagnetic systems.

TRANSPONDER: Transmission channel on a satellite.

UHF (ULTRA HIGH FREQUENCY): The band of frequencies between 300 and 3000 megahertz (channels 14-83).

VHF (VERY HIGH FREQUENCY): The band of frequencies between 30 and 300 megahertz (channels 2-13).

VTR: Video tape recorder.

WAREHOUSING: The withholding of programs from exploitation in one market by companies operating in another market. In the U.S.A. this usually refers to the practice of withholding feature films from Pay TV by the commercial networks which secure exclusivity in their contracts with producers/distributors.

WINDOW: The length of time Pay TV can exhibit movies after first theatrical run and before commercial television broadcast.



Canadian Radio-television and Telecommunications Commission

PUBLIC ANNOUNCEMENT

Ottawa, June 30, 1976

PAY TELEVISION

The Honourable Jeanne Sauvé, Minister of Communications, in a speech on June 2nd, 1976, concluded that: "the continued federal regulation of the broadcasting system, including the regulation of pay television, is a crucial factor in the coherent and orderly provision of program services to the entire Canadian viewing public". The Minister stated in her address that it would be a major task to devise a structure to maximize pay television's potential benefits for the Canadian broadcasting system while achieving three major objectives:

1— It must provide a range of programming which does not duplicate that now offered by broadcasters and must do so without siphoning programs from the broadcasting system;

2— It must ensure the production of high-quality Canadian programs which Canadians will watch;

3— It must ensure that programs are produced in Canada for International Sale.

In her speech the Minister also indicated that consideration should be given as to whether the pay television agency should be "a private corporation with extensive monopoly powers, a public corporation or a mixed corporation, involving both private and public participation."

The Minister has requested that the Commission receive submissions concerning the development of a pay TV program agency. Accordingly, the Commission calls for submissions on the form and function of an organization, institution or agency to assemble, produce and acquire programming for distribution to licensed broadcast undertakings for pay television on a national or regional basis in English and in French.

All submissions should be received by the Commission on or before September 1st, 1976.

Guy Lefebvre
Secretary General

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Comments of the National Association of Theatre Owners, Inc., before the Federal Communications Commission, November 1, 1972.

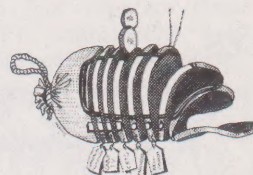
Thomas H. Guback: **The Impact of Pay Cable on Motion Picture Theatres**, submitted to the National Association of Theatre Owners, New York City, April 28, 1976.

National Association of Broadcasters, **Questions and Answers About Pay Cable TV and Free TV**.

National Cable Television Association, **Pay Cablecasting and Consumer Choice**, January 1974.

The PAY TV Newsletter, Paul Kagan Associates, Inc., Rockville Centre, New York. No. 1-.

Analysis of Consumer Demand for Pay Television: Final Report, Stanford Research Institute, prepared for the Office of Telecommunications Policy, Executive Office of the President, May 1975. □



For being one of the 1106 people in the Canadian film industry who signed the CCFM Petition to Parliament. The following organizations in the English and French Canadian production industry also endorsed the petition:

ACTRA

British Columbia Film Industry Association

Canadian Film Editors' Guild

Directors' Guild of Canada

I.A.T.S.E. 873

Syndicat general du cinema (ONF)

Society of Filmmakers

Association des realisateurs du film du Quebec

Canadian Association of Motion Picture Producers

Canadian Society of Cinematographers

I.A.T.S.E. 644C

NABET 700

Syndicat national du cinema

Toronto Filmmakers Co-op

The petition was presented in the House of Commons on June 16 with three party support from Gordon Fairweather (PC), Hon. Robert Stanbury (LIB), and Cyril Symes (NDP). A delegation then met with the conservative and NDP caucus and with Secretary of State Hugh Faulkner to seek their support for an indigenous Canadian film industry. At a press conference which followed statements were read on behalf of Joe Clark and Ed Broadbent, leaders of the Conservative and NDP parties respectively, which committed their parties to support of the goals set out in the petition. The event received national press coverage.

The petition represented the largest film industry consensus ever taken to Ottawa. Because of the support behind the petition - your support - it was an important statement with a message which could not be ignored.

YOUR CONTINUING SUPPORT REMAINS AS IMPORTANT AS IT WAS ON JUNE 16. IF YOU DON'T ALREADY BELONG JOIN CCFM AND ADD YOUR VOICE TO THE 8,000 SPEAKING ON BEHALF OF OUR OWN INDUSTRY. MEMBERSHIPS ARE \$10. THE MEMBERSHIP FORM IS ON THE BACK COVER. SEND IT TODAY.



CRISIS IN CANADIAN BROADCASTING

AUGUST 10, 11 & 12, 1976

St. Mary's University
Halifax, Nova Scotia

The conference will explore the economics and problems of financing the broadcasting system, the inter-relationships of cable, Pay TV and conventional broadcasting services, the role of common carriers, the programming dilemma, repatriation of the CBC and options for an integrated solution which may lead to a restructuring of the Canadian broadcasting system.

The twenty papers to be presented and discussed address these issues from the perspectives of the broadcaster, cablecaster, economist, regulator and communications specialist.

In addition to those papers which specifically examine proposals for development of a Canadian Pay TV Service, time has been allotted for a panel discussion of the problems and complexities which this new service will present. Chairing this discussion will be John Hylton, Commissioner of the Canadian Radio-television and Telecommunications Commission.

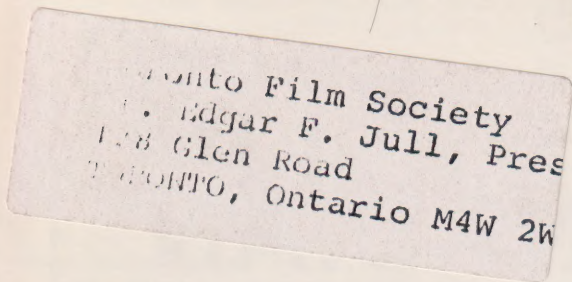
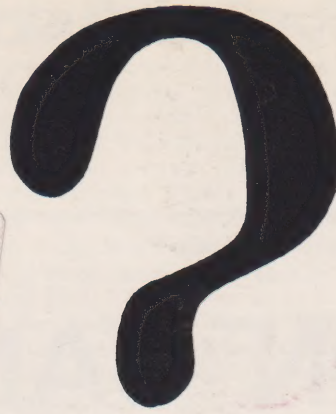
Attendance will be limited to 200 participants. For information on the conference programme, contact the

Conference Chairman

PB/BP 1504, Ottawa, Canada, K1P5R5.

Tel. 613-232-1591.

HOW WILL PAY TV AFFECT YOU



The Council of Canadian Filmmakers seminar on **THE IMPACT OF PAY TV ON THE PROGRAM PRODUCTION INDUSTRY**

- Experts in all facets of Pay TV
- Summary of current Pay TV research
- Programming and delivery options
- Pay TV alternatives for Canada
- Panel discussions on the theory and practice of Pay TV

DATE: Thursday, August 19

TIME: 9:30 A.M. to 6 P.M.

PLACE: O.I.S.E. Auditorium 252 Bloor Street West
at St. George subway

REGISTRATION FEE: \$10

\$ 5 for CCFM members

YOU CAN'T AFFORD NOT TO KNOW. REGISTER TODAY. FOR INFORMATION CALL (416) 869-0716

NAME _____

I wish to:

ADDRESS _____

register for the August 19 seminar ☐ \$10 (\$5)

PHONE NUMBER _____

join CCFM ☐ \$10

OCCUPATION _____

do both ☐ \$15

TOTAL ENCLOSED _____

Make cheques or money orders payable to Council of Canadian Filmmakers and return with this form to: Box 1003, Station A, Toronto